Allan G. Bense, Speaker

Colleges & Universities Committee Meeting

March 21, 2006
Reed Hall, 2:15 PM – 5:15 PM

Allan G. Bense
Speaker

David Mealor
Chair

Florida House of Representatives

Allan Bense, Speaker
Colleges & Universities Committee

David Mealor
Chair

Larry Cretul
Vice Chair

Meeting Agenda
Tuesday, March 21, 2006
Reed Hall, 2:15 – 5:15 PM

I. **Convening of Meeting and Call to Order**

II. **Roll Call**

III. **Opening Remarks**

IV. **Consideration of the following bills:**

HB 15 Exemption from the Tax on Sales, Use, and Other Transactions by Flores

V. **Presentation on Higher Education Facilities**
Ms. Jane Fletcher, Staff Director of Education
Office of Program Policy Analysis and Government Accountability, (OPPAGA)

VI. **Closing Comments / Meeting Adjourned**

HB 15

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 15 Exemption from the Tax on Sales, Use, and Other Transactions
SPONSOR(S): Flores
TIED BILLS: **IDEN./SIM. BILLS:** SB 1554

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Colleges & Universities Committee		Hatfield JCH	Tilton BT
2) Finance & Tax Committee			
3) Education Appropriations Committee			
4) Education Council			
5)			

SUMMARY ANALYSIS

The bill provides a sales tax exemption for required or recommended textbooks purchased by full-time and part-time postsecondary students for courses at an institution of higher education. The bill requires students to present a valid student identification card upon purchase of such textbooks.

The bill defines textbooks as only those textbooks and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes.

The bill defines institution of higher education as any institution of higher education recognized and approved by the Department of Education, or accredited by a nationally recognized accrediting agency or association accepted as such by the Department of Education, that provides a course of study leading to the granting of a postsecondary degree, certificate, or diploma.

The Revenue Estimating Conference has estimated this bill will have a fiscal impact of $39.4 million to state government and $8.9 million to local governments in the 2006-2007 fiscal year. Please see the FISCAL Section of the bill analysis for further details.

The provisions of this bill appear to reduce the authority that cities and counties have to raise revenue through local option sales taxes. The bill does not appear to qualify for an exemption or exception. Therefore, the constitutional mandate provision may be applicable and this bill may require a two-thirds vote of membership of each chamber for passage.

The bill provides an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes—The bill eliminates the sales tax paid on the purchase of required or recommended textbooks and textbook supplements by full-time and part-time postsecondary students for courses at an institution of higher education.

B. EFFECT OF PROPOSED CHANGES:

Background

Chapter 212, F.S., contains the statutory provisions authorizing the levying and collection of taxes on sales, use, and other transactions. This chapter also contains provisions for sales and use tax exemptions and credits applicable to certain items and under certain circumstances. At present, all textbooks and textbook supplements purchased by postsecondary students for their courses are subject to the six percent statewide sales tax and the local option sales taxes imposed under ch. 212, F.S.

Currently, s. 212.08(7)(r), F.S., provides a tax exemption for school books purchased for students enrolled in both public and private K-12 schools, but not for school books purchased by postsecondary students.

From 1998-2001 and 2004-2005, the Florida Legislature provided tax relief and exemptions for certain back-to-school related expenses. These exemptions have typically grouped certain items in categories of $100 or less, $50 or less, or $10 or less. During a specific time period prior to the beginning of a school year items listed in these price categories are exempt from taxation.

Currently, 15 states have sales and use tax exemptions for college textbooks. New York has had a sales tax exemption on higher education textbooks since 1998; other states include Minnesota, Tennessee, and New Jersey. Several states, such as Wisconsin and Texas, have proposed a textbook exemption, but the measure has failed. Typically, this has to do with the estimated revenue loss that may occur from such legislation. Currently, Washington, Georgia, and Maryland are considering such legislation and Tennessee has a bill filed to extend the current exemption to include electronic textbooks.

Effects of Proposed Changes

The bill provides a sales tax exemption for required or recommended textbooks purchased by full-time and part-time postsecondary students for courses at an institution of higher education. The bill requires students to present a valid student identification card upon purchase of such textbooks.

The bill defines textbooks as only those textbooks and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes.

The bill defines institution of higher education as any institution of higher education recognized and approved by the Department of Education, or accredited by a nationally recognized accrediting agency or association accepted as such by the Department of Education, that provides a course of study leading to the granting of a postsecondary degree, certificate, or diploma.

The bill provides an effective date of July 1, 2006.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.08, F.S., relating to an exemption from the tax on sales; exempting certain textbooks from the tax and providing definitions.

Section 2: Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The March 10, 2006, Revenue Estimating Conference estimated that this bill will have the following fiscal impact on state government:

	2006-2007	2007-2008
General Revenue	(39.3)	(43.0)
Trust	(.1)	(.1)
Total State Impact	**(39.4)**	**(43.1)**

These figures represent an increased revenue impact from the previous, March 3, 2006, Revenue Estimating Conference. The previous impact, -23.2 and -24.8, respectively, only included public and private degree-granting institutions of at least two years or higher and only students enrolled in the fall term. The updated figures include public and private institutions that grant less than two-year degrees, which accounts for an additional 82,284 students. The updated figures also use an unduplicated annual headcount of enrolled students, rather than students only enrolled in the fall term.

2. Expenditures:

The bill does not appear to have a fiscal impact on state government expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The March 10, 2006, Revenue Estimating Conference estimated that this bill will have the following fiscal impact on local governments:

	2006-2007	2007-2008
Revenue Sharing	(1.3)	(1.4)
Local Gov't Half Cent	(3.8)	(4.1)
Local Option	(3.8)	(4.1)
Total Local Impact	**(8.9)**	**(9.6)**

These figures represent an increased revenue impact from the previous, March 3, 2006, Revenue Estimating Conference. The previous impact, -5.0 and -5.6, respectively, only included public and private degree-granting institutions of at least two years or higher and only students enrolled in the fall term. The updated figures include public and private institutions that grant less than two-year degrees, which accounts for an additional 82,284 students. The updated figures also use an unduplicated annual headcount of enrolled students, rather than students only enrolled in the fall term.

2. Expenditures:

The bill does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Students purchasing tax exempt textbooks and textbook supplements will pay less for these items.

According to the Board of Governors', the National Association of College Stores reported that in 2004-2005 students spent from $773 to $870 for books and supplies for an academic year. Using the $773 estimate and multiplying it by the .06 sales tax, a student would have saved approximately $46 in state sales taxes if a sales tax exemption had been in place.[1]

Retailers may incur costs associated with implementing this new tax exemption.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The provisions of this bill appear to reduce the authority that cities and counties have to raise revenue through local options sales taxes. The bill does not appear to qualify for an exemption or exception. Therefore, the constitutional mandate provision may be applicable and this bill may require a two -thirds vote of the membership of each chamber for passage.

2. Other:

None

B. RULE-MAKING AUTHORITY:

Under existing law, the Department of Revenue (DOR) may adopt rules to administer the exemption proposed by this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Definition of institution of higher education:
The Florida Department of Education does not recognize or approve institutions of higher education in Florida. In addition, this definition does not specify whether the student must be enrolled in a Florida institution of higher education.

Definition of textbooks:
The definition in this bill may exclude books such as novels, and business and leadership books. These books may be required for a course, but because they were not written, designed, or produced for educational, instructional, or pedagogical purposes they may not qualify for the tax exemption.

Burden of proof:
Currently, the bill does not require the student to verify that the textbook is required or recommended for a course.

Internet sales:
It appears that the requirement that the student present a valid student identification card eliminates the ability to receive the tax exemption when purchasing textbooks over the internet.

[1] Florida Board of Governors, 2006 Legislative Bill Analysis, HB 15, February 16, 2006, at 3.

The sponsor of the bill plans to offer an amendment that would make the following changes to the bill:

- Clarifies that the exemption applies to degree-seeking postsecondary students.
- Requires the student to present a valid student identification card from an eligible institution of higher education and documentation which confirms such textbooks are required or recommended for the course in which the student is enrolled when purchasing such textbooks.
- Removes the definition of "textbooks." A valid textbook must be one required or recommended for a course at an eligible institution of higher education.
- Defines the term "institution of higher education" as
    - A Florida public university or community college.
    - A baccalaureate-degree granting independent nonprofit college or university, which is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and which is located in and chartered as a domestic corporation by the state.
    - An independent Florida postsecondary education institution that is licensed by the Commission for Independent Education and that is authorized to grant degrees.

By limiting the exemption to only degree-seeking students attending institutions of higher education as defined in the amendment, the current estimate on revenue loss will decrease.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

A bill to be entitled

An act relating to an exemption from the tax on sales, use, and other transactions; amending s. 212.08, F.S.; exempting certain textbooks from the tax; providing definitions; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (r) of subsection (7) of section 212.08, Florida Statutes, is amended, and paragraph (ccc) is added to that subsection, to read:

212.08 Sales, rental, use, consumption, distribution, and storage tax; specified exemptions.--The sale at retail, the rental, the use, the consumption, the distribution, and the storage to be used or consumed in this state of the following are hereby specifically exempt from the tax imposed by this chapter.

(7) MISCELLANEOUS EXEMPTIONS.--Exemptions provided to any entity by this chapter do not inure to any transaction that is otherwise taxable under this chapter when payment is made by a representative or employee of the entity by any means, including, but not limited to, cash, check, or credit card, even when that representative or employee is subsequently reimbursed by the entity. In addition, exemptions provided to any entity by this subsection do not inure to any transaction that is otherwise taxable under this chapter unless the entity has obtained a sales tax exemption certificate from the department or the entity obtains or provides other documentation as

required by the department. Eligible purchases or leases made with such a certificate must be in strict compliance with this subsection and departmental rules, and any person who makes an exempt purchase with a certificate that is not in strict compliance with this subsection and the rules is liable for and shall pay the tax. The department may adopt rules to administer this subsection.

(r) School books and school lunches.--This exemption applies to school books used in regularly prescribed courses of study, and to school lunches served in public, parochial, or nonprofit schools operated for and attended by pupils of grades K through 12. Yearbooks, magazines, newspapers, directories, bulletins, and similar publications distributed by such educational institutions to their students are also exempt. ~~School~~ Books, other than those provided for in paragraph (ccc), and food sold or served at community colleges and other institutions of higher learning are taxable.

(ccc) Textbooks.--Also exempt from the tax imposed by this chapter are textbooks purchased by full-time and part-time postsecondary students for their courses. This exemption applies only to textbooks that are required or recommended for a course being taken by such student at an institution of higher education. Upon purchase of such textbooks, the student shall present a valid student identification card. For purposes of this paragraph, the term:

1. "Textbooks" includes only those textbooks and textbook supplements specifically written, designed, or produced for educational, instructional, or pedagogical purposes.

2. "Institution of higher education" means any institution of higher education recognized and approved by the Department of Education, or accredited by a nationally recognized accrediting agency or association accepted as such by the Department of Education, that provides a course of study leading to the granting of a postsecondary degree, certificate, or diploma.

Section 2. This act shall take effect July 1, 2006.

HOUSE AMENDMENT FOR COUNCIL/COMMITTEE PURPOSES

Amendment No. 1

Bill No. 15

COUNCIL/COMMITTEE ACTION

ADOPTED	__ (Y/N)
ADOPTED AS AMENDED	__ (Y/N)
ADOPTED W/O OBJECTION	__ (Y/N)
FAILED TO ADOPT	__ (Y/N)
WITHDRAWN	__ (Y/N)
OTHER	_____

Council/Committee hearing bill: Colleges & Universities Committee

Representative Flores offered the following:

Amendment (with title amendment)

Remove line(s) 48-62 and insert:

postsecondary degree-seeking students for their courses. This exemption applies only to textbooks that are required or recommended for a course being taken by such student at an eligible institution of higher education. Upon purchase of such textbooks, the student shall present a valid student identification card from an eligible institution of higher education and documentation which confirms such textbooks are required or recommended for the course in which the student is enrolled. For purposes of this paragraph, the term "institution of higher education" means:

1. A Florida public university or community college.

2. A baccalaureate-degree granting independent nonprofit college or university, which is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and

which is located in and chartered as a domestic corporation by the state.

3. An independent Florida postsecondary education institution that is licensed by the Commission for Independent Education and that is authorized to grant degrees.

========== T I T L E A M E N D M E N T ==========

Remove line(s) 4-5 and insert:

exempting certain textbooks from the tax; requiring eligible students present certain documentation; providing a definition; providing an effective date.

OPPAGA
Presentation

Higher Education Facilities: Planning, Cost, and Utilization

Jane Fletcher
Staff Director

Presentation to the Florida House
Committee on Colleges and Universities
March 21, 2006

Overall Conclusions

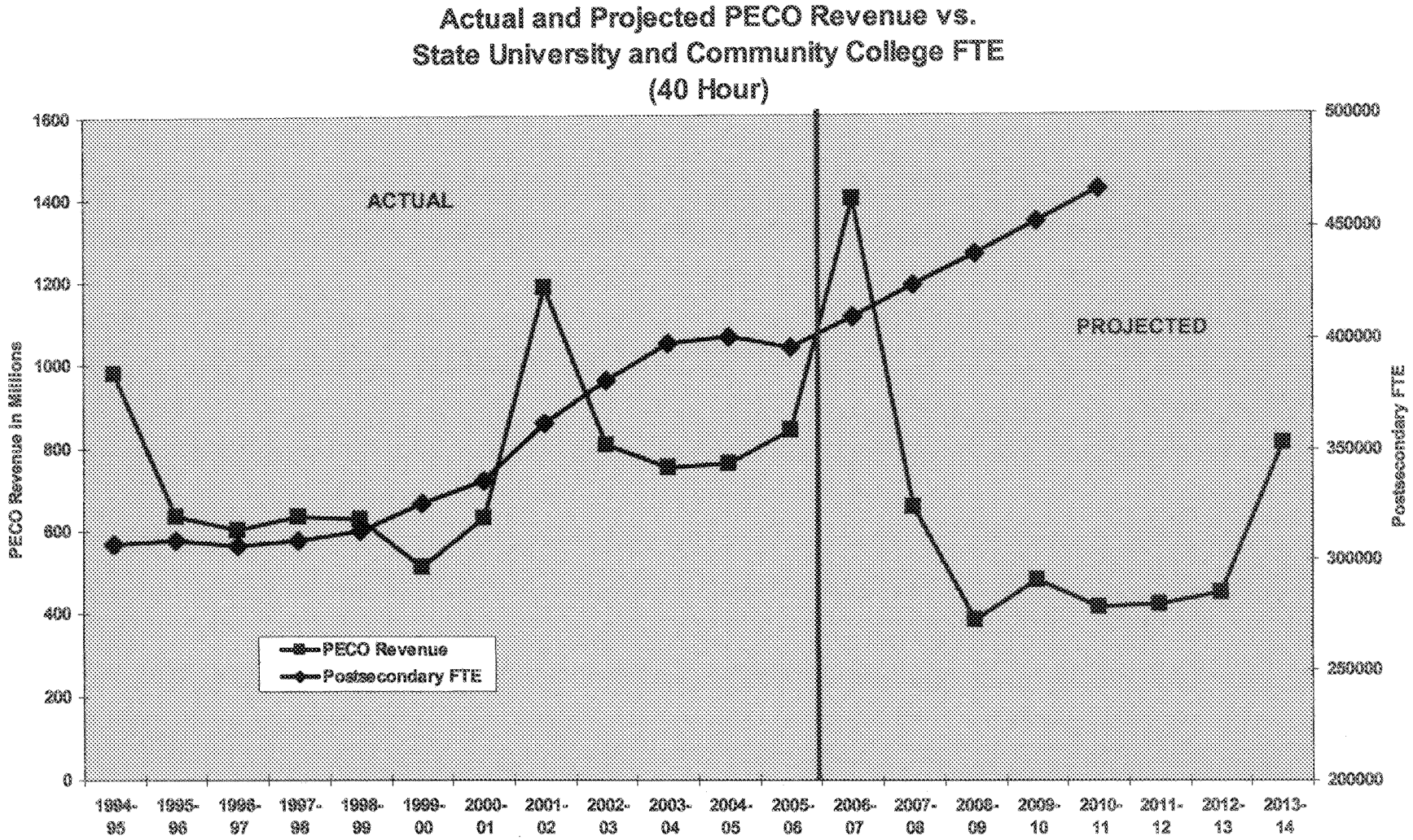
- Postsecondary facility planning processes are reasonable but could be improved to ensure that needs are accurately stated.
- Universities and community colleges build reasonably cost-effective facilities but can offset rising construction costs in a number of ways.
- Overall, classroom space utilization could be improved through better space management, which would help postpone the need to construct new classroom facilities.

Postsecondary Construction Projects are Funded From a Variety Sources

- In Fiscal Year 2005-06, the Legislature appropriated $744 million for postsecondary education fixed capital outlay projects

- Public Education Capital Outlay (PECO) funds are the largest appropriation (62%) for postsecondary education fixed capital outlay projects

PECO Funds are Projected to Drop Significantly After FY 2006-07



Maximizing Use of Available Construction Funds

- Planning Process
- Construction Costs
- Space Utilization

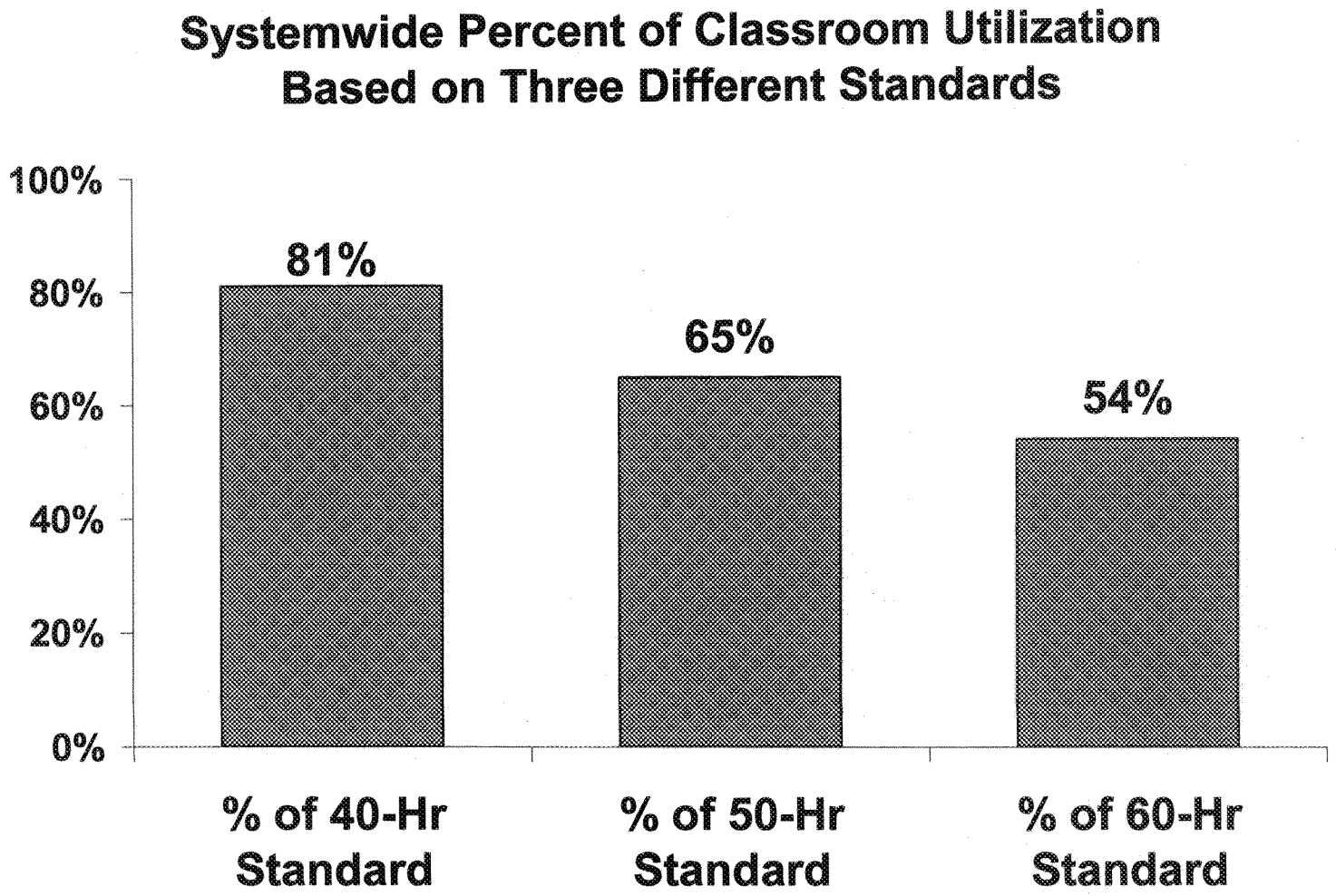
Facility Planning Process: Standards and Formulas Need Updating

- Comprehensive, includes multiple levels of review, and helps ensure that each institution's facility plans are well coordinated
- Standards and formulas used to estimate space needs last updated: universities - 1994, community colleges - 1999
- Recent technology advances may have changed need for space in some programs.
  - Computer modeling and simulation used in engineering and science programs, reduce space needed for bulky equipment,
  - Greater use of electronic documents has reduced need for storage space

Revising Standards Example: Classroom Utilization

- Section 1013.03(2), *F.S.* - classroom minimum use 40 hrs/wk with 60% student stations filled
- If classroom utilization approaches 100% need classrooms
- Too narrow – classrooms used day/evening
- To internally assess utilization, some institutions already use more stringent standards that exceed 40/60

Increasing the Standard for Classroom Use Results in a Lower Statewide Utilization Rate



Changing the Classroom Standard Could Maximize the Use of Capital Improvement Funds

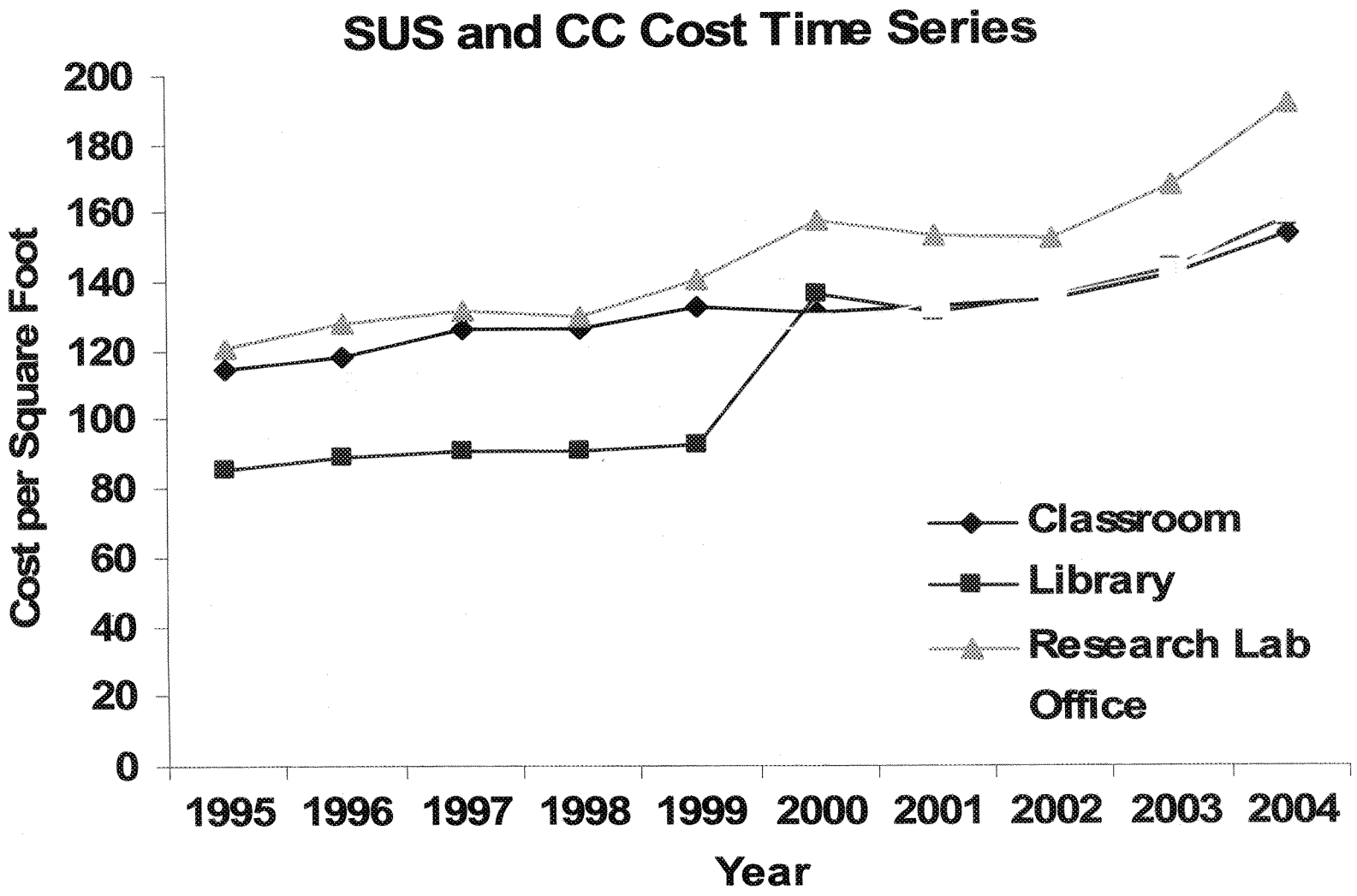
		Classroom Space (Net Square Feet)	Cost
10,000 FTEs	Current:	138,000	$21,085,020
	Revised:	85,500	$13,063,545
	Difference:	- 52,500	- $8,021,475

Construction Costs

Florida's Postsecondary Construction Costs Are Generally Lower Than National Benchmarks

Building Type	National Low Quartile Cost /Square Foot	National Median Cost /Square Foot	National High Quartile Cost /Square Foot	Florida Median Cost /Square Foot (2004)
Academic	$129.09	$172.82	$221.11	$148.73
Library	191.48	235.29	326.62	152.58
Office	107.64	138.44	235.29	155.11
Science	201.83	240.00	294.05	183.99

But Postsecondary Construction Costs Continue to Climb



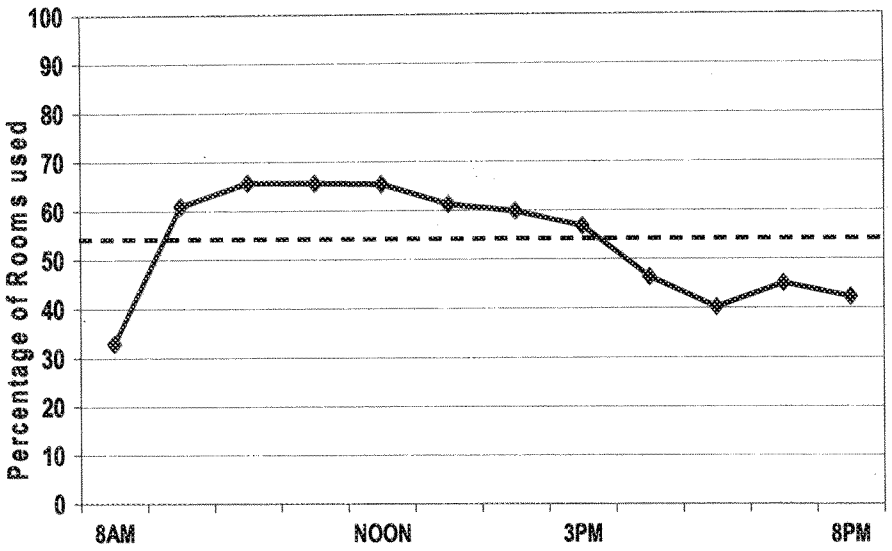
Institutions Can Adopt Strategies to Address Rising Construction Costs

- Prototypes can help to reduce postsecondary construction costs
  - repeating designs –lower architectural fees and time savings in design and construction phases
  - use of prototypes not widespread among postsecondary institutions
  - in 2004, four community colleges saved 12% to 15% in design costs on nursing/science building
- Evaluate potential savings of partnering with energy companies to share costs of replacing or upgrading expensive equipment such as HVAC

Space Utilization

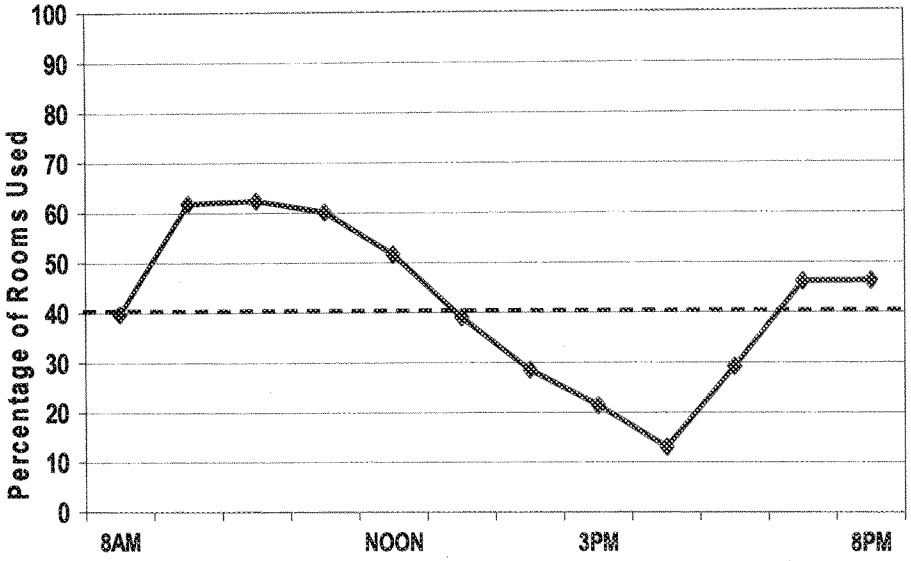
Classroom Utilization in Both Systems

State University System Average Room Schedule Utilization on Mondays Through Fridays from 8 AM to 8 PM
Spring 2005 - Average Room Use - 54%



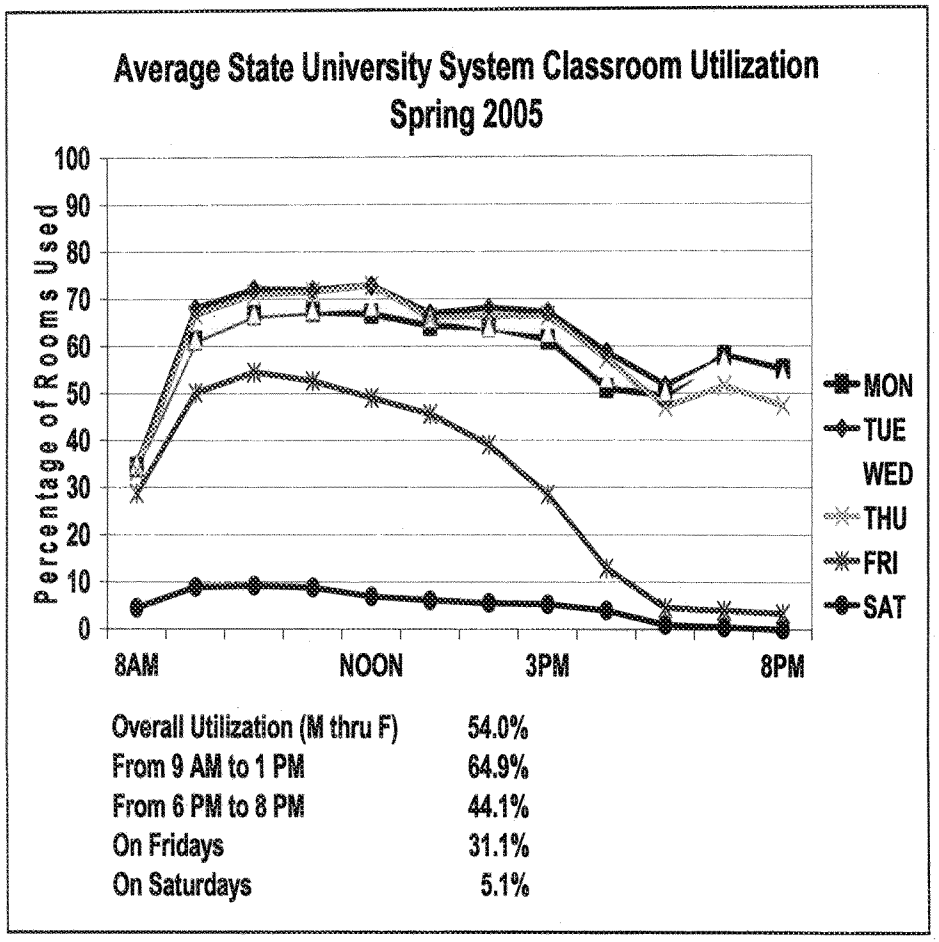
From 1 PM to 5 PM - 56.4%
From 6 PM to 8 PM - 44.1%

Community College Classroom Utilization
Monday Through Friday from 8 AM to 8 PM
Spring 2005 - Average Room Use - 41.4%

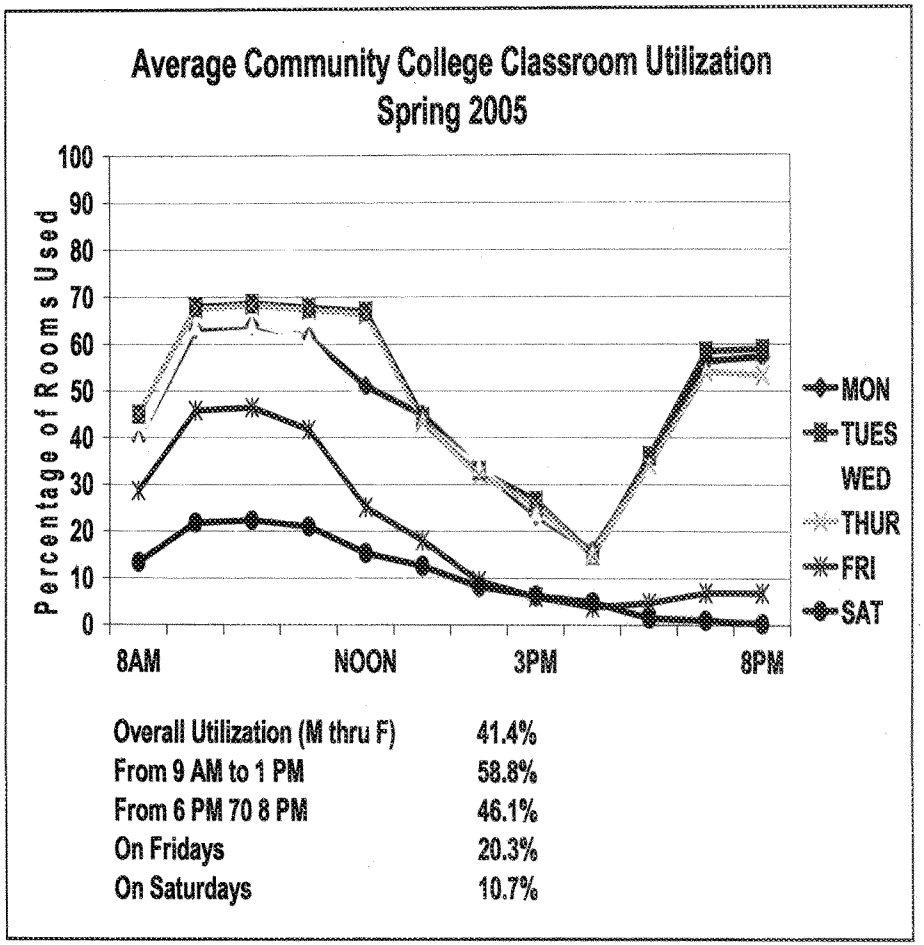


From 9 AM to 1 PM - 58.8%
From 6 PM to 8 PM - 46.1%

Classroom Utilization Varies Considerably by Day of the Week and Hour of the Day



Overall Utilization (M thru F)	54.0%
From 9 AM to 1 PM	64.9%
From 6 PM to 8 PM	44.1%
On Fridays	31.1%
On Saturdays	5.1%



Overall Utilization (M thru F)	41.4%
From 9 AM to 1 PM	58.8%
From 6 PM 70 8 PM	46.1%
On Fridays	20.3%
On Saturdays	10.7%

Utilization and the 40/60 Standard

- **Classroom utilization rates - 8:00 AM to 8:00 PM Monday to Friday were 54% for universities and 41% for community colleges.**
- **Significantly lower than the rates reported by the institutions using the current 40/60 standard.**
- **Example**
  - One university had 60% classroom utilization rate (relatively high among the state universities) from 8 to 8 M-F
  - Using the current 40/60 standard the institution reported average classroom utilization of 111%
- **Using the 40/60 standard suggests that this university has a critical need for additional classroom space while our analysis would suggest that this need may be considerably less critical**
- **Similar patterns for other universities and community colleges**

Update Space Needs Formulas

- **Formulas need to be updated and revised to accurately reflect when and how classrooms are used today**
  - Legislature consider amending Section 1013.03(2), *F.S.*, which currently establishes 40 hours per week and 60% occupancy as minimum utilization rates for classroom facilities. To better reflect how institutions currently use classroom space, we recommend changing the standard to at least 50 hours per week and 70% occupancy as the minimum utilization rates.
  - Department of Education and Board of Governor's should review and revise needs generation formulas used in the plant survey with input from all relevant stakeholders from the various disciplines.

Space Needs Standard

Increasing the standard from 40 to 50 hours per week classroom usage

- Current standard does consider that classrooms are available for use from 8 a.m. to 8 p.m., Monday through Friday (60 hours per week)
- Current standard does not account for 30% of the time classrooms could be used
- Increasing to 50 hours more accurately captures the availability to use existing classroom space
- Institutions such as Florida State University and the University of Central Florida, use internal measures that exceed the current statutory standard (FSU uses 56 hours per week and UCF uses 69 hours per week)

Space Needs Standard

Increasing the standard from 60% to 70% station occupancy

- Several states have classroom occupancy standards that now exceed that of Florida. These include Arizona (65%), California (71.4%), Kentucky (67%), Nebraska (65%), New York (80% for the CUNY system), and Ohio (67%).
- Florida State University and the University of Central currently evaluate their utilization using internal station occupancy standards of 75% and 70%, respectively.

Increasing Classroom Utilization

- Require institutions requesting classrooms provide more data and show strategies implemented to maximize use of existing classrooms
- Given the uncertainty regarding the effects of variable tuition, the Legislature may wish to pilot a variable tuition program to determine the impact on classroom utilization, student enrollment patterns, and tuition revenue prior to granting tuition flexibility to the universities.
- Require institutions to demonstrate how efficiently they use other major categories of space

Higher Education Facilities: Planning, Cost, and Utilization

Questions?

Office of Program Policy Analysis & Government Accountability

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources.

Tab A

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Office of Program Policy Analysis & Government Accountability

March 2006 Report No. 06-xx

Higher Education Facility Planning Process Is Designed Reasonably Well; Improvements Could Maximize State Resources

at a glance

The state's current processes to select and fund higher education facility construction projects include multiple levels of review and ensure that institutional requests for new construction are coordinated with the state's higher education goals, local strategic plans, and community development plans.

However, the effectiveness of the planning process is dependent on the information provided by the institutions to their respective state-level divisions to determine the state's most critical facility needs. As the facility planning process relies heavily on each institution's educational plant survey to identify and prioritize higher education facility needs, it is important that the information contained in these assessments is correct. The reliability and accuracy of information contained in these surveys could be improved by addressing two issues.

- The Department of Education and Board of Governors should update the formulas used to develop educational plant surveys to ensure they accurately portray current institutional need for additional facility space.
- The department and the Board of Governors should provide additional technical assistance to some institutions to address common errors in educational plant surveys.

Scope

OPPAGA conducted this project in response to a legislative request to identify steps public universities, community colleges, and the Department of Education could take to improve cost efficiencies in postsecondary education construction programs. This report examines the efficiency and effectiveness of the postsecondary facility planning process. A separate OPPAGA report examines the reasonableness of postsecondary facility construction costs and how well postsecondary institutions use existing facility space.

Background

Responsibility for public postsecondary facilities construction is decentralized. Since 1995, the state's public universities and community colleges have administered their own construction programs with oversight provided by individual boards of trustees.[1] Postsecondary institutions are responsible for the condition of their facilities and for identifying the need for maintenance,

[1] Prior to the decentralization, the Department of Education staff, operating under the construction policy guidelines adopted by the Board of Regents, made the decisions regarding the construction programs for the 11 public universities. The 28 community colleges historically have exercised local control and management of their construction programs with approval from their local boards of trustees.

remodeling, acquisition or new construction funds to meet current program needs and expected student growth. The institutions report this information through capital improvement plans that are submitted to their respective state-level divisions (the Board of Governors for the 11 colleges and universities and the Division of Community Colleges and Workforce Education for the 28 community colleges). The state divisions use this data to develop statewide funding recommendations that are included in the Department of Education's K-20 Legislative Capital Outlay Budget Request. To assist in selecting projects to recommend for funding from among those submitted by the institutions, the state divisions use models and formulas that take into account what they have (present facilities inventory) in relation to what they need based on projected student enrollment, space utilization standards, and other factors to determine unmet space needs. This process is comprehensive and includes multiple levels of review and coordination with the Board of Education, local governments, and the institutions' strategic plans.

Postsecondary construction projects are funded from a variety of state and non-state sources. In Fiscal Year 2005-06, public universities and community colleges received $743.8 million for fixed capital outlay projects, which included construction and infrastructure projects and land acquisition (see Exhibit 1). Public universities received 59% of these funds ($436.8 million) while community colleges received 41% ($307 million) (see Exhibits 2 and 3).

Public Education Capital Outlay (PECO) funds are the largest source of legislative appropriation for postsecondary education fixed capital outlay projects. PECO funds are derived from gross receipt tax collections, bond sales and interest earnings. In Fiscal Year 2005-06, PECO funds accounted for 57.6% of fixed capital outlay appropriated funds for universities and 69% of community college capital outlay appropriations. Postsecondary institutions use PECO funds to pay for new construction as well as renovation, remodeling, maintenance, repair and site acquisition. The use of PECO funds is restricted to academic and academic support facilities such as classrooms, research facilities, and office space. (Refer to Appendix B on the source of PECO funds.)

Exhibit 1
The Legislature Appropriated $743.8 Million for Postsecondary Education Fixed Capital Outlay Programs for Fiscal Year 2005-06

Public University and Community College Construction Programs		
Fund Source	Percentage of Funding	Amount
State		
PECO	62.3%	$463,526,661
General Revenue	4.0%	29,504,369
Challenge Grant Program (state match)	5.4%	39,843,770
Capital Outlay and Debt Service	1.6%	12,223,771 [1]
SUS Concurrency	0.7%	5,400,000 [2]
Total	74.0%	$550,498,571
Non-State		
Challenge Grant (private funds)	5.4%	$39,843,770
Student Capital Improvement Fees	20.6%	153,485,087 [3]
Total	26.0%	$193,328,857
Florida Total	100.0%	$743,827,428

[1] Estimated

[2] In accordance with s. 19(f)(2), Article III of the State Constitution, the University Concurrency Trust Fund, unless terminated earlier, will terminate on July 1, 2007.

[3] Student capital improvement and building fees are charged to students in addition to tuition to help finance student related fixed capital outlay projects. Generally, an appropriation is requested every three years based on the availability of funds.

Source: Board of Governors and Division of Community Colleges and Workforce Education.

In addition to PECO funds, there are several other fund sources for postsecondary education fixed capital outlay projects. These include general revenue, matching funds for donor contributions (Challenge Grants), and concurrency funds. Postsecondary institutions generally use additional state funds for new construction that supports instruction or research. Concurrency funds are used to offset the impact of proposed campus developments on public facilities and services such as utilities, roads and drainage. The Legislature also appropriates non-state funds derived from student capital improvement and building fees. Postsecondary institutions generally use these fees to construct student-related specific projects such as student unions and recreation facilities.

Postsecondary institutions also pay for fixed capital outlay projects from funds generated from revenue

generating sources such as parking garages and from direct support organizations such as foundations. These projects are often financed by revenue bonds from activities such as housing, parking, dining, retail, and athletic facilities where revenues are pledged to satisfy the debt. Although the Legislature must approve these capital projects, they are not subject to the legislative budget request development policy guidelines. [2]

Exhibit 2
Public University Construction Programs Received $436.8 Million for Fiscal Year 2005-06

Fund Source	Percentage of Funding	Amount
State		
PECO	57.6%	$251,522,143
General Revenue	4.8%	20,853,896
Challenge Grant Program	3.2%	14,142,393
SUS Concurrency	1.2%	5,400,000
Total	66.8%	$291,918,432
Non-State		
Challenge Grant (private funds)	3.2%	$14,142,393
Student Capital Improvement Fees	30.0%	130,722,927
Total	33.2%	$144,865,320
Florida Total	100.0%	$436,783,752

Source: Board of Governors.

Exhibit 3
Public Community College Construction Programs Received $307 Million for Fiscal Year 2005-06

Fund Source	Percentage of Funding	Amount
State		
PECO	69.0%	$212,004,518
General Revenue	2.8%	8,650,473
CO and DS	4.0%	12,223,771
Challenge Grant Program	8.4%	25,701,377
Total	84.2%	$258,580,139
Non-State		
Challenge Grant (private funds)	8.4%	$ 25,701,377
Student Capital Improvement Fees	7.4%	22,762,160*
Total	15.8%	$ 48,463,,537
Florida Total	100.0%	$307,043,676

*Estimated
Source: Division of Community Colleges and Workforce Education.

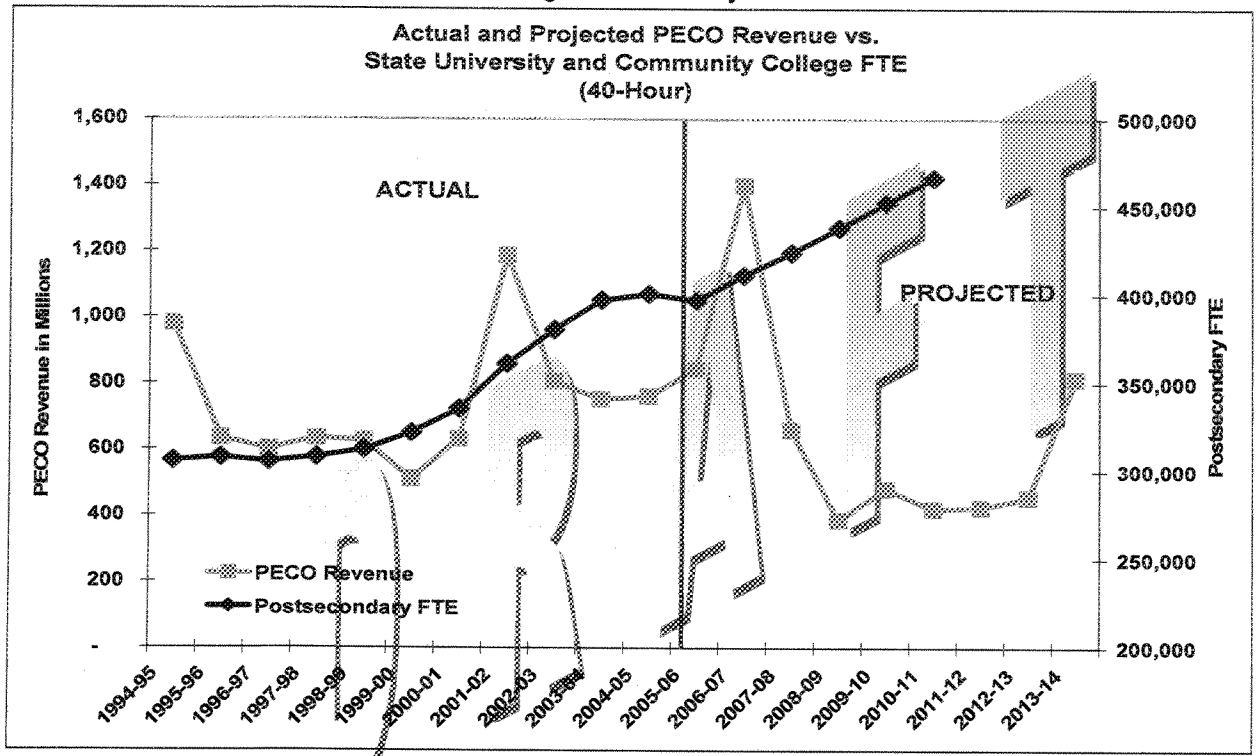
See Appendix A for a description of the funds included in the exhibits.

The projected decreases in available PECO funds may make it difficult for postsecondary institutions to fund facility projects. As shown in Exhibit 4, the November 2005 Revenue Estimating Conference projected a steep decrease in available PECO funds after 2006-07. These projections are based on predictions that future economic conditions will decrease gross receipts tax revenues, which are the dedicated source of PECO funds. The Estimating Conference projects that the total available PECO funds will drop from $1.4 billion in Fiscal Year 2006-07 to $386 million in Fiscal Year 2008-09 before beginning a gradual recovery. Coinciding with this decrease in available PECO funds is a projected 3% increase in students enrolling in public colleges and universities and an anticipated increase in competition for PECO funds to build additional K-12 classrooms to meet the requirements associated with the state class size amendment. Because postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects, expected decreases in available PECO funds may make it more difficult for the state's public colleges and universities to fund new construction and renovation projects. (For more information on why PECO funds fluctuate refer to Appendix B.)

In light of this situation, it is critical that postsecondary institutions use available fixed capital outlay funds as efficiently as possible. Therefore, this report examines the reasonableness of processes used by postsecondary institutions to identity and prioritize their facility needs and whether these processes can be improved.

[2] Sections 1004.065, 1013.78, *F.S.*

Exhibit 4
PECO Funds Are Predicted to Decline as College and University Enrollments Increase



Source: The Revenue Estimating Conference, updated November 4, 2005. The Division of Colleges and Universities and the Division of Community Colleges and Workforce Education provided the enrollment projections.

Findings

The process that postsecondary institutions use to identify and prioritize facility needs is reasonable but could be improved

The state's process to determine and prioritize higher education facility needs is comprehensive, includes multiple levels of review, and helps ensure that each institution's facility plans are coordinated with state higher education goals and local plans and initiatives. However, the effectiveness of the planning process is dependent upon the information provided by the institutions to their respective oversight divisions to determine postsecondary education's most critical facility needs. Our review of the process revealed some of the formulas used to develop facility needs have not been updated for years, and thus may not accurately portray institutions' need for facility space. In addition, some institutions need technical assistance in developing educational plant surveys to avoid common errors and reduce approval time.

Higher education facility plans consider relevant data, stakeholder input, state goals, and local growth plans

The state's process to identify and prioritize its facility needs is largely established in Florida law. Two key steps in this process are developing institutions' educational plant surveys and capital improvement plans. Appendix C provides a diagram that illustrates the major steps in the postsecondary facility planning and fixed capital outlay budget process.

Educational plant surveys describe an institution's facilities needs. Florida statutes require each public postsecondary institution to conduct an educational plant survey at least once every five years to assess the number and condition of its current facilities and project facility needs over the next five years.[3] The

[3] Sections 1013.31 and 1013.40, *F.S.*

educational plant survey contains detailed information about campus facilities including their purpose, capacity, and need for repairs. The plant survey also makes recommendations for site acquisition, remodeling, renovations and new construction. Institutions base new construction recommendations on their amount of existing space, expected student population growth, and a series of formulas designed to predict the number of square feet needed to serve the expected student population, faculty, and support staff based on pre-established standards that take into consideration the type and use of the space.[4] Universities and community colleges rely on these plant survey recommendations and the decisions of their presidents, executive staff, and boards of trustees with input from deans and facilities staff to select projects and set funding priorities in their capital improvement plans.

The Capital Improvement Planning process helps ensure that an institution's facility needs are coordinated with state and local goals and growth initiatives. Institutions use the educational plant survey to develop their annual Capital Improvement Plan. These plans identify the projects (with associated costs) that an institution plans to build over the next five years contingent upon legislative funding. The first three years of this schedule lists the highest priority projects, with the remaining projects scheduled for the out years. As required by Florida law, PECO-funded projects must have been recommended in the institutions' educational plant survey.[5]

In addition to the plant surveys, each institution considers other information when developing their capital improvement plans, including input from key administrators and statewide priorities established by the Department of Education and Board of Governors. The institutions also examine each project's consistency with the goals and objectives of their strategic plans, and needs and projects identified in the institution's campus master plan, which projects campus infrastructure needs out for 10-20 years and is coordinated with local governments and surrounding community development initiatives.[6] Finally, the institutions consider each project specifically addresses one or more of the state's higher education strategic goals and objectives.[7] The final plan identifies and describes the projects, estimates the dollars required based on historical project cost supplied by DOE, and indicates the year the college would like to receive funding.

The local board of trustees must approve the capital improvement plan prior to submitting it to the Board of Governors (for university plans) or the Division of Community Colleges and Workforce Education (for community college plans). The Board of Governors and the division consider the institutions' plans in preparing the department's fixed capital outlay legislative budget request. (See Appendix B for a flow chart of the higher education legislative budget request development process.)

Overall, the capital improvement planning process helps ensure that the projects and priorities included in the institutions' fixed capital outlay legislative budget request are consistent with the institution's strategic goals and major initiatives, and are integrated with state education goals and local growth plans.[8]

The use of formula driven models at the state level helps staff objectively select and rank projects

The Board of Governors and Division of Community Colleges and Workforce Education rank and pare down the projects submitted in the individual university and community college capital improvement plans to develop statewide recommendations for each system that are included in the Commissioner's K-20 Legislative Capital Outlay Budget Request. Staff make these

[4] A full-time equivalent (FTE) for state university system undergraduates is determined by dividing total annual credit hours by 40 hours; for community colleges, a full-time equivalent credit student is determined by dividing total annual credit hours by 30 hours.

[5] Section 1013.31(2)(a), *F.S.*

[6] Section 1013.30(3), *F.S.* Each university is required to have a master plan that identifies general land uses, and addresses the need for roads, parking, pubic transportation, solid waste, drainage, sewer, potable water, and recreation and open space during the coming 10 to 20 years. These plans are program-based and include campus population projections and projections of future projects. The master plan must be coordinated with local government(s), and proposed buildings must conform with the approved campus development plan.

[7] Required by the Legislative Budget Request Guidelines for 2006-2007.

[8] CIP fixed capital outlay priorities in ranking order: continuation of projects; infrastructure needs; renovation and remodeling to meet current space needs; special projects—joint use, fund matching, land acquisition; new construction.

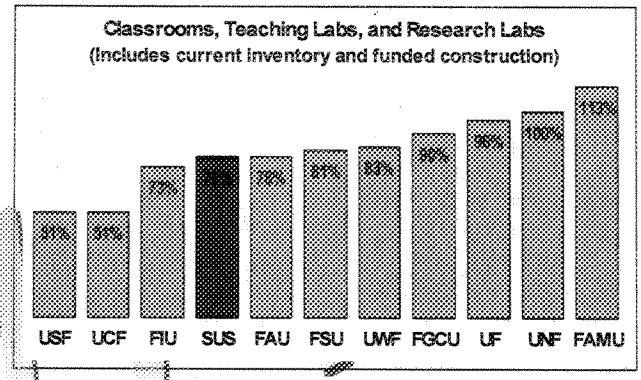
project recommendations using data driven models that take into account present inventory, FTE projections, and space standards. These models identify the relative unmet need among the universities and community colleges for each category of space.[9] In general, this method of project ranking and selection for both systems appears fair in that decisions are based on an objective analysis of data.

Exhibit 5 provides an example of the type of analysis used by the Board of Governors staff to rank the relative need for classrooms, teaching labs and research lab space among the state's 11 public universities. The staff identify each institution's current inventory of this space, including already funded construction. Each institution is then compared to the overall system average (the red bar) to identify universities with the highest relative level of unmet need (those universities below the red bar). The Board of Governors attempts to give higher priority to projects requested by the institutions that are under the system average for that category of space. Thus, in this example, the University of South Florida, the University of Central Florida, and Florida International University's requests for additional classrooms, teaching labs and research labs would receive a higher priority ranking than similar requests made by other universities. The Board of Governors uses this same process for each other category of space.

The Division of Community Colleges and Workforce Education uses a slightly different process to rank institutional needs. The Division's process also uses formula-driven models, but generally seeks to identify campus or center-based projects that have the greatest impact on 1,000 or more full-time students.

[9] The 10 space categories recognized within the models with minor differences (vocational labs for community colleges) include classroom, teaching lab, study, research lab, office, audio/exhibit /instructional media, student academic support, gym, campus support services.

Exhibit 5
The Board of Governors Gives Priorities to Projects of Institutions Below the System Average for a Space Category



Source: The Board of Governors.

The higher education facility planning process can be improved in two ways

As the facility planning process relies heavily on each institution's educational plant survey to identify and prioritize higher education facility needs, it is important that the information contained in these assessments is correct. The reliability and accuracy of information contained in these surveys could be improved by addressing two issues. First, the formulas used to develop educational plant surveys should be updated to ensure they accurately portray current institutional need for additional facility space. Second, the department should provide additional technical assistance to some institutions to address common errors in educational plant surveys.

Standards and formulas used to calculate postsecondary space needs are outdated and may inaccurately portray the need for space. The educational plant survey uses several complex formulas to identify space needs at the institution level.[10] The formulas vary for each system; however, both are based on factors that include student enrollment, space standards including station sizes and utilization levels and existing inventory to determine unmet space needs. For example, the formula used to determine classroom needs is based on the number of square feet each FTE student needs based on their major/discipline, the number of hours the space will be used each

[10] Residential and other types of auxiliary space are generally not included.

week and the occupancy rate.[11] Adjustments to any of these factors will change the amount of space the formula projects an institution needs for classrooms and thus could change the requested fixed capital outlay appropriation.

The components that make up these formulas and the levels at which they have been set have not been evaluated for several years and may no longer reflect current institutional practices. The state university space needs formulas were developed in the 1960s and have not been updated since the mid-1990s. The community college formulas were updated in 1999 and use a somewhat different model to calculate space needs; however, both systems use similar space utilization rates for instructional space.

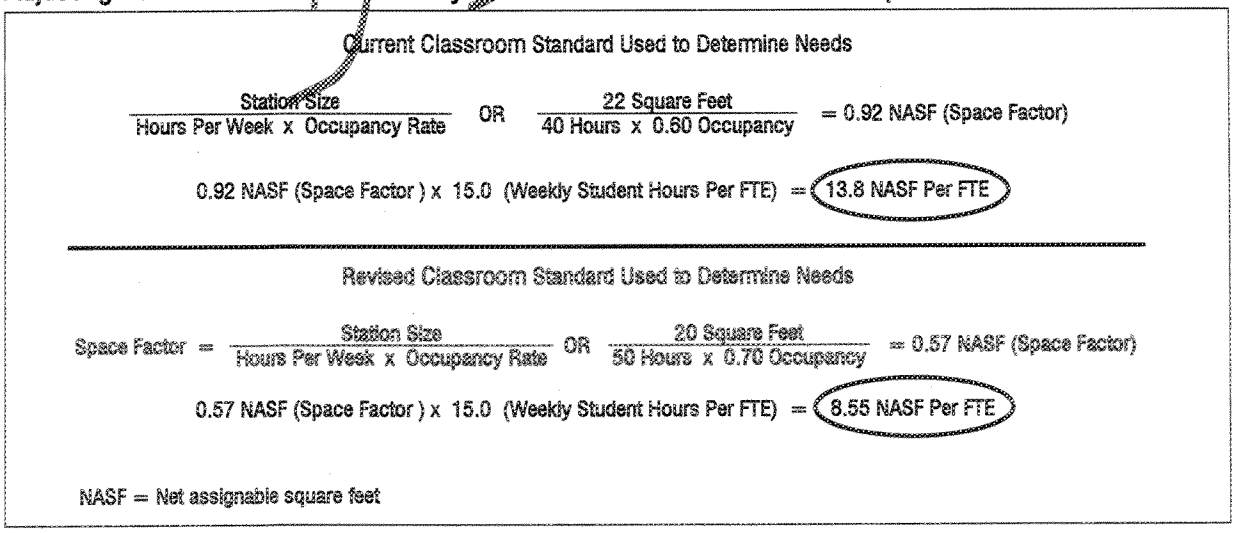
One of the main factors used in the formulas to identify space needs is the square feet needed for each student station depending on the type of instructional space (classrooms, teaching and research labs) and academic program. The current university model space standards for student station size have not been changed since 1994. However, department staff note that instructional methods have changed considerably in recent years, with much greater use of technology. For example, computer modeling and simulation are used more often in engineering and science programs, eliminating the need for bulky equipment, and greater use of electronic documents has reduced need for storage space. As a result, current standards that define the space needed per student station may be able to be reduced.

Exhibit 6 shows a Board of Governors analysis of how changes to the formula can reduce the projected square footage needed for classrooms. The current model is based on a standard that classrooms require 22 net assignable square feet per student station, 60% of student stations are in use during classes, and the classroom is used 40 hours per week.[12] If these standards are changed to reflect 20 square feet per student station, 50 hours of room use per week, and 70% station occupancy, the square feet needed per student is reduced by over 30%. These changes, for an institution with 10,000 students, would reduce the need for general classroom space by 52,500 net assignable square feet. At 2004 average construction costs for higher education classrooms ($152.79 per square foot), this difference amounts to $8 million.

[11] Full-time students requiring space.

[12] Net assignable square footage is the enclosed and interior floor area assigned to or available to be assigned to an occupant for specific use, excluding exterior and interior wall thicknesses, interior and exterior circulation, toilet rooms, electrical rooms, HVAC equipment areas and structural areas.

Exhibit 6
Adjusting Standards in the State Facility Models Would Lower Institutional Space Need Estimates



Source: Board of Governors Meeting, July 22, 2004.

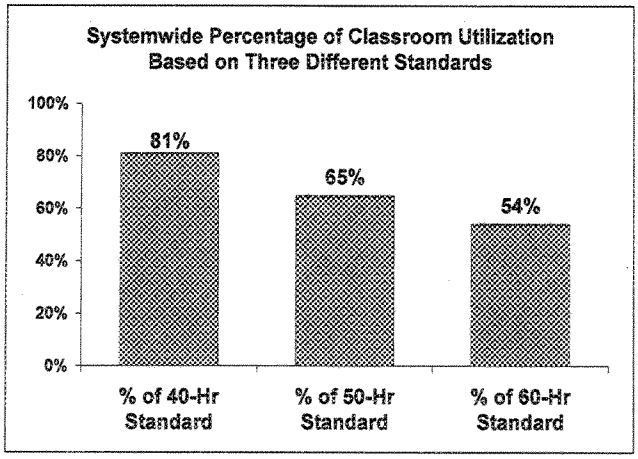
The statutory standards used to measure statewide classroom utilization may also need to be updated. Universities and community colleges also use these standards to report their use of classrooms on an annual basis to their respective state oversight divisions. Section 1013.03(2), *Florida Statutes,* provides that classrooms are to be used a minimum of 40 hours per week and that 60% of student stations are to be occupied. [13] In practice this 40/60 standard means a classroom is considered to be at 100% utilization if it is used 40 hours per week at 60% occupancy. Institutions with classroom utilization that approaches 100% using the 40/60 standard would be considered to need additional classrooms although their classrooms may only be used 40 hours a week and have 40% of the student stations unutilized. [14]

While Florida's 40/60 standard for classroom utilization is comparable to standards used by other states, it does not reflect how institutions currently use their space. As noted by a university administrator, universities and community colleges now routinely offer classes during the evenings and weekends outside of the traditional 40-hour period.

Florida's public universities and community colleges often have developed other more reliable methods to internally evaluate their classroom utilization and need for space. For example, the Florida State University and the University of Central Florida evaluate classroom utilization based on the times the classrooms are used during the day as well as for evening and weekend programs. The Florida State University uses an internal goal that classrooms should be used 56 hours a week with 75% occupancy, while the University of Central Florida uses a goal that classrooms should be used 69 hours a week at 70% occupancy.

Exhibit 7 demonstrates how increasing the standard for classroom usage hours from 40 hours to 50 or 60 hours reduces the statewide classroom utilization rate. The current 40-hour standard produces a statewide classroom utilization rate of 81%. The utilization rate is only 54% if the standard number of hours that classrooms are expected to be used each week is increased to 60 hours. This lower utilization rate in turn signals that less new classroom space is needed for the postsecondary institutions. (For additional information on postsecondary classroom utilization, see *Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space*, Report No. 06-xx, March 2006.)

Exhibit 7
Increasing the Standard for Classroom Use Results in a Lower Statewide Utilization Rate



Note: Information for this chart is based on 10 universities, no data provided for New College.
Source: OPPAGA analysis of BOG utilization data for Spring 2005. Fall 2004 utilization at some universities may be higher than Spring 2005.

Some institutions make avoidable mistakes when developing their educational plant surveys. The second way that the current higher education facility planning process can be improved is to help universities and community colleges avoid common errors in their educational plant surveys. The Department of Education's Office of Educational Facilities is required by Florida law to review and validate all educational plant surveys to ensure that they are an accurate analysis of

[13] The standard measures scheduled classes. Since non-regularly scheduled classes and unscheduled uses of classrooms, such as club, student and faculty meetings are not captured in the utilization data, actual utilization may be higher.

[14] To make the calculations for classrooms in use, institutions simply multiply the number of available classrooms by 40 hours, then compare this figure with the actual number of total scheduled hours classrooms are in use. To make the calculations for classroom occupancy, the institutions multiply the total number of student stations on campus by 40 hours and then by 0.6 (60% occupancy) to get the standard number of seat hours to meet the statutory requirement. This figure is then compared to the actual number of seat hours used. For the university system, the 40/60 utilization rate is used in the space needs formula to create a space factor which is then multiplied by the FTEs for each discipline by level and the number of weekly student hours per FTE.

space needs and that projects to be funded with PECO and Capital Outlay and Debt Service funds are recommended by the surveys.[15] This review process is similar for both the community college and university systems.

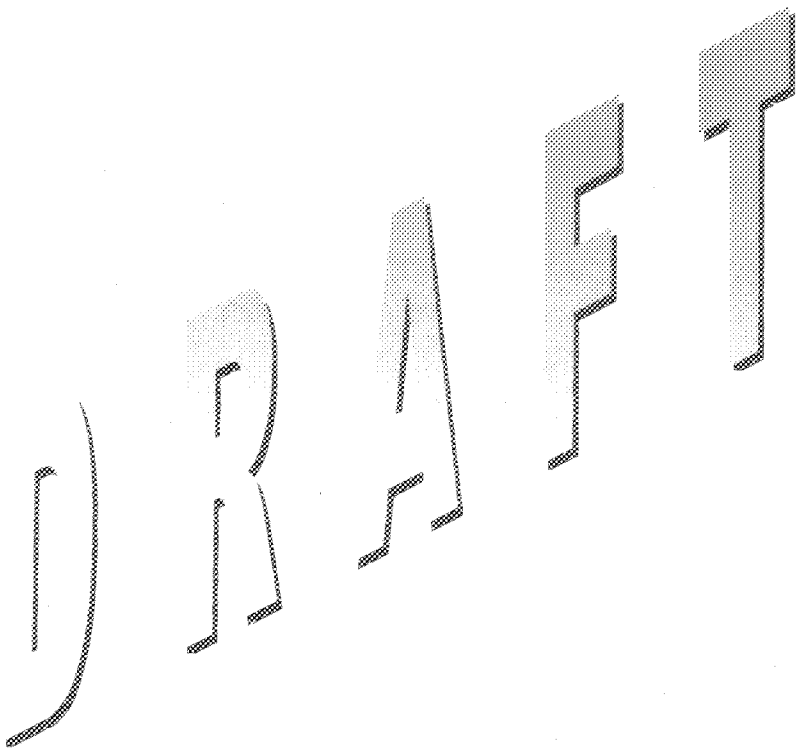
However, department staff involved in the review processes noted that the institutions often make errors and omissions in their plant surveys that delay the state's review and approval process. These errors are more common for community colleges than for universities. For instance, the final approval of the educational plant survey for one community college required 21 follow-ups from the Office of Educational Facilities' staff to correct inaccurate or missing information. Common errors included using outdated or inaccurate data and failure to obtain needed approvals and signatures prior to submitting the plans. A less common error is requesting funding for programs no longer offered. As a result, approval of the plans has been delayed, in some cases by two or more years, which may cause unnecessary delays in the institution's fixed capital outlay budget planning process. Department staff indicate that university educational plant surveys likely contain fewer errors and omissions because teams that develop the university surveys include Board of Governors staff and staff from other universities who are experienced in the development of plant surveys. In contrast, the Department of Education staff has not provided on-site assistance with community college plant surveys since the process was decentralized in 1995. However, some of the delays in the approval process can also be attributed to the fact that the submission process is not automated for higher education and the Office of Educational Facilities has not developed sufficient guidelines or instructions for completing these complex reports.

Conclusions and Recommendations

The state's process for identifying and prioritizing higher education projects is comprehensive, includes multiple levels of review, and operates under guidelines to ensure coordination with higher education goals, local strategic plans, and community development plans. However, the formulas used to determine unmet space needs among the institutions need to be updated and revised to accurately reflect when and how classrooms are used today. To address these issues, OPPAGA recommends the following actions be taken.

- The Legislature should consider amending Section 1013.03(2), *Florida Statutes,* which currently establishes 40 hours per week and 60% occupancy as minimum utilization rates for classroom facilities. To better reflect how institutions currently use classroom space, we recommend changing the standard to at least 50 hours per week and 70% occupancy as the minimum utilization rates.
- To ensure that current postsecondary space needs generation formulas used in the educational plant survey do not inaccurately portray the need for additional facilities, Department of Education and Board of Governor's staff should review and revise these formulas with input from all relevant stakeholders from the various disciplines. These formulas should be reviewed and updated every 3 to 5 years.
- To reduce errors and reduce the time needed to review and approve educational plant surveys, the Department of Education should provide comprehensive written instructions for completing these surveys. In addition, the department and the Board of Governors should work toward automating survey submission to the state.

[15] Section 1013.03(10)(a)2., *F.S.*



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Appendix A

Fixed Capital Outlay Legislative Budget

The following information contains definitions of common terms, source of funds, purpose and restrictions on funds for projects funded through the fixed capital outlay budget process.

Capital Outlay and Debt Service (CO & DS)

- Revenues from motor vehicle licenses
- Allocated to school districts and community colleges
- Revenues are bonded and proceeds allocated based on a funding formula

Facility Enhancement Challenge Grant Program

- Facility must support instruction or research
- Must be included in the institution's Five-Year Capital Improvement Program
- Private cash matching must be on deposit
- State matching funds are recommended for eligible projects

2005-2006 Capital Improvement Trust Fund Projects

- Generally requested every three years based on availability of funds
- Used for student-related projects such as student unions and recreational facilities
- Financed by fee collections and bonds issued with a pledge of revenues from the fees

2005-2006 Supplemental Special Request Project List

- Developed to address issues not financed by the SUS share of PECO funds and other SUS sources
- Issues include critical deferred maintenance, Americans with Disabilities Act corrections, federal grant matches, and other special projects

2005-2006 Projects That Require General Revenue for Operation

- Projects requiring state general revenue for operations but built with non-state funds

2005-2006 Authorization to Sell Revenue Bonds on Behalf of Universities

- Projects financed by revenue bonds
- Projects include dormitories, parking garages, and bookstores
- Operating revenues pledged to pay debt service

2005-2006 Authority for Financing and Acquisition of Facilities by Direct Support Organizations

- Facilities constructed or financed by Direct Support Organizations
- Typical projects include dormitories, athletic, research, and international studies facilities

2005-2006 PECO Remodeling/Renovation/Repair/ Maintenance Formula Funds Appropriation Request

- Allocated based on a depreciation formula to the education sectors from the total amount of available PECO funds
- Allocations made to public schools, community colleges, and state universities
- Funded form cash portion of available PECO revenues
- Funds used to expand or upgrade current educational facilities to prolong useful life

2005-2006 Concurrency Trust Fund Appropriation Request

- Trust fund supported by revenues from local option gas tax
- Funds used to correct deficiencies in public facilities and services caused by proposed campus development
- Impact determined through Campus Development Agreements between University Boards of Trustees and affected host local government

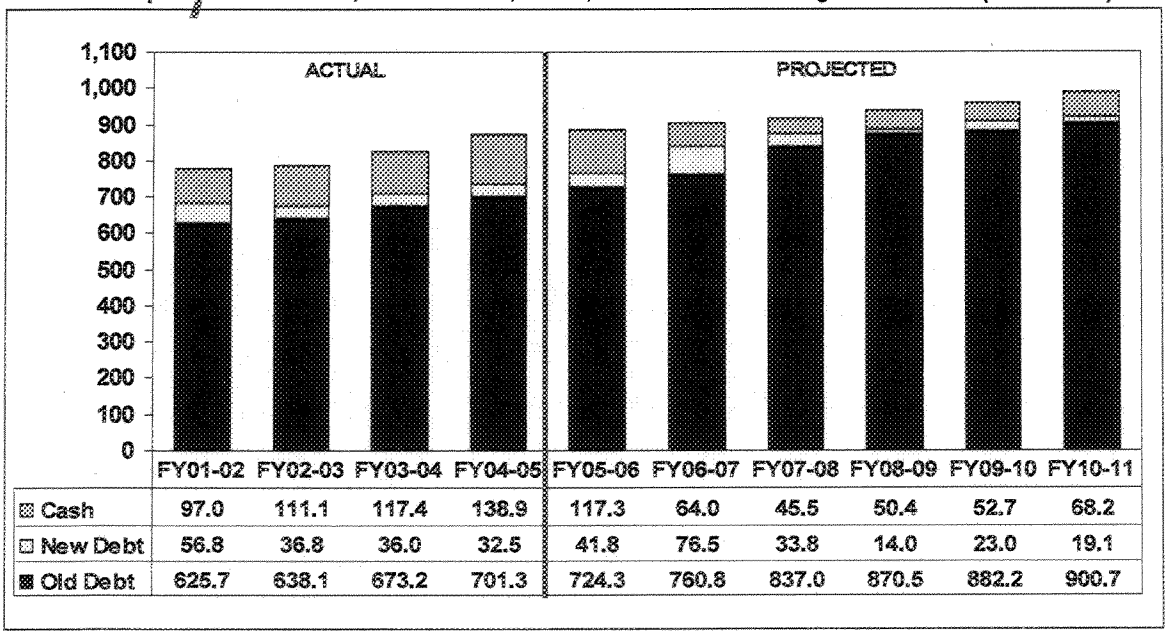
Appendix B

The Source of PECO Revenues and Why PECO Revenues Fluctuate

The source of PECO revenue is the revenues from the gross receipts tax on utilities services (2.5%) and communications services (2.37%) as defined in s. 203.01, *Florida Statutes*. Most of the PECO revenues is generated from bonding a portion of the gross receipt tax revenues. The gross receipts tax is a relatively stable and generally slow growing tax source, making it an ideal revenue source for financing the sale of bonds. PECO bond proceeds are the primary source of legislative funding for postsecondary academic facilities.

Constitutional and statutory restrictions limit the amount of revenues that can be devoted to bonding to 90% of the average of the past two years' of revenues. The remaining revenue must be spent as cash. Table B-1 shows the actual and projected gross receipts tax revenues from 2001-02 to 2010-11. Each bar is broken into three parts: revenue committed to paying off existing bonds and, thus, not available for appropriation (the bottom section); cash that is not available for bonding (the top section); and new revenues available for bonding (the middle section). The amount available for appropriation includes the cash (the top section) and the new revenues available from bonding the amount in the middle section of each bar.

Table B-1
Gross Receipts Tax Revenues, November 1, 2005, Revenue Estimating Conference (in Millions)



	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
Cash	97.0	111.1	117.4	138.9	117.3	64.0	45.5	50.4	52.7	68.2
New Debt	56.8	36.8	36.0	32.5	41.8	76.5	33.8	14.0	23.0	19.1
Old Debt	625.7	638.1	673.2	701.3	724.3	760.8	837.0	870.5	882.2	900.7

Source: Office of Economic and Demographic Research.

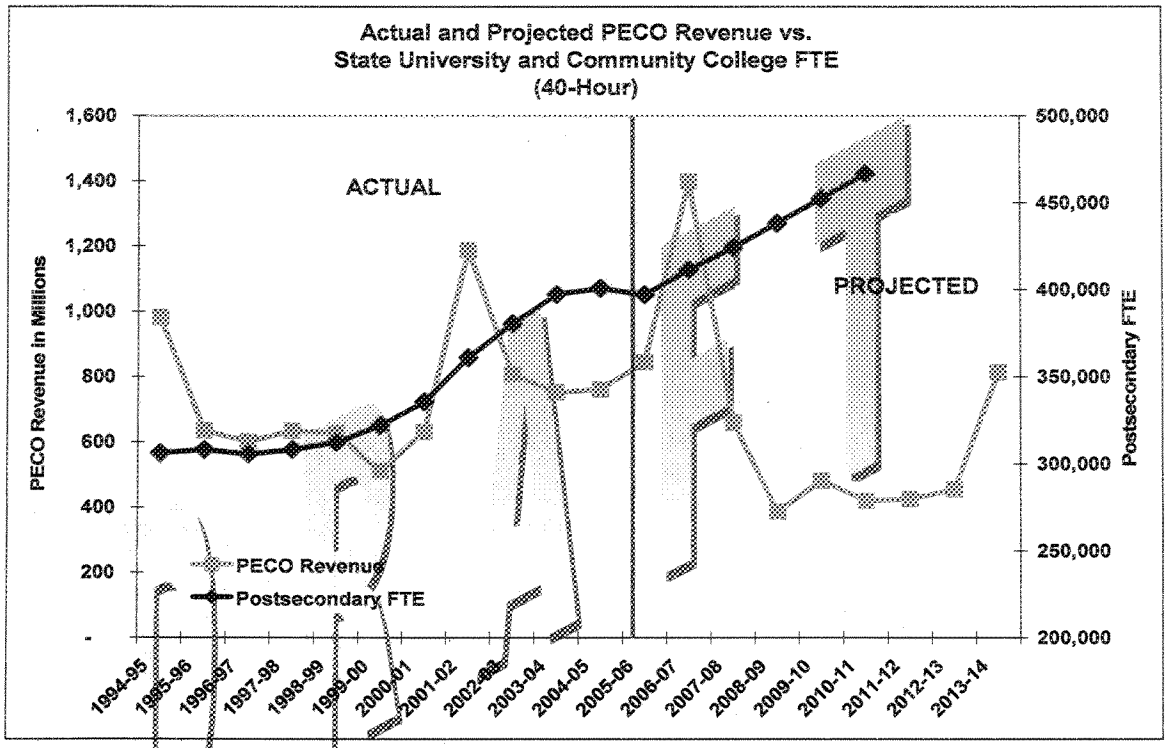
Sources of Fluctuation

According to the Office of Economic and Demographic Research, the amount of tax revenue available for appropriation and bonding is the product of several factors which combine to cause the significant fluctuation each year that is shown in Table B-2.

1. Bonding is primarily based on growth in the gross receipts tax on utilities and communications because existing revenues are committed to debt service on old bonds.
2. When revenues are underestimated, as occurred in 2005-06 due to the unexpected increase in fuel costs, subsequent appropriations can be larger for two reasons,
   a. non-recurring cash is available for cash expenditure from the initial year of underestimate, and
   b. the excess growth is added to the growth formerly anticipated for later years so that more than just one year's worth of growth in bonding capacity is available.
3. Bonds do not sell immediately and may not sell for several years after being authorized by the Legislature so that the interest paid on the bonds may be more or less than originally assumed in the Estimating Conference. The result is that more or less bonding capacity is available in later years than originally estimated.
4. Refinancing of old bonds at lower rates frees up additional bonding capacity for subsequent years. Table B-3 displays recent refinancing. Refinancing is not projected by estimating conferences and is only added to conference estimates after the refinancing has occurred. As a result, additional bonding capacity from refinancing will generally be available for a later year than is shown on Table B-3.
5. Finally, the gross receipts tax revenues are projected on a fiscal year basis (July to June) while bonding is calculated based on the 24-month period ending in September. As a result, annual estimates from the gross receipt tax and the PECO revenues from bonding are reported for different time periods.

As a result of the factors enumerated above, the fluctuations in tax revenue in Table B-1 cannot be directly compared to the fluctuation in PECO revenue in Table B-2. After 2006-07, the projected growth in tax revenues is expected to be much slower, partly due to anticipated declines in fuel prices. Therefore the amount of revenue not reserved for debt service and available for appropriation is much lower after 2006-07, as shown in Table B-2.

Table B-2



Note: The extreme points of fluctuation in Exhibit 2 represent years in which several of the sources of variation listed in the memo work in the same direction to produce a high or low level of PECO revenue.

Source: Office of Economic and Demographic Research.

Table B-3
Increase in PECO Bonding Capacity Due to Refinancing Activity (in Millions)

Fiscal Year	Amount of Bond Capacity Available for Appropriation	Amount of Bond Capacity Due to Refinancing Activity	Refinancing Activity as a Percentage of Total Bond Capacity
1999-00	$ 367.2	$ 76.9	21%
2000-01	428.3	36.0	8%
2001-02	887.6	30.1	3%
2002-03	613.4	37.1	6%
2003-04	516.3	57.9	11%
2004-05	473.4	36.6	8%
2005-06	616.3	86.7	14%
2006-07	1,097.3	55.0	5%

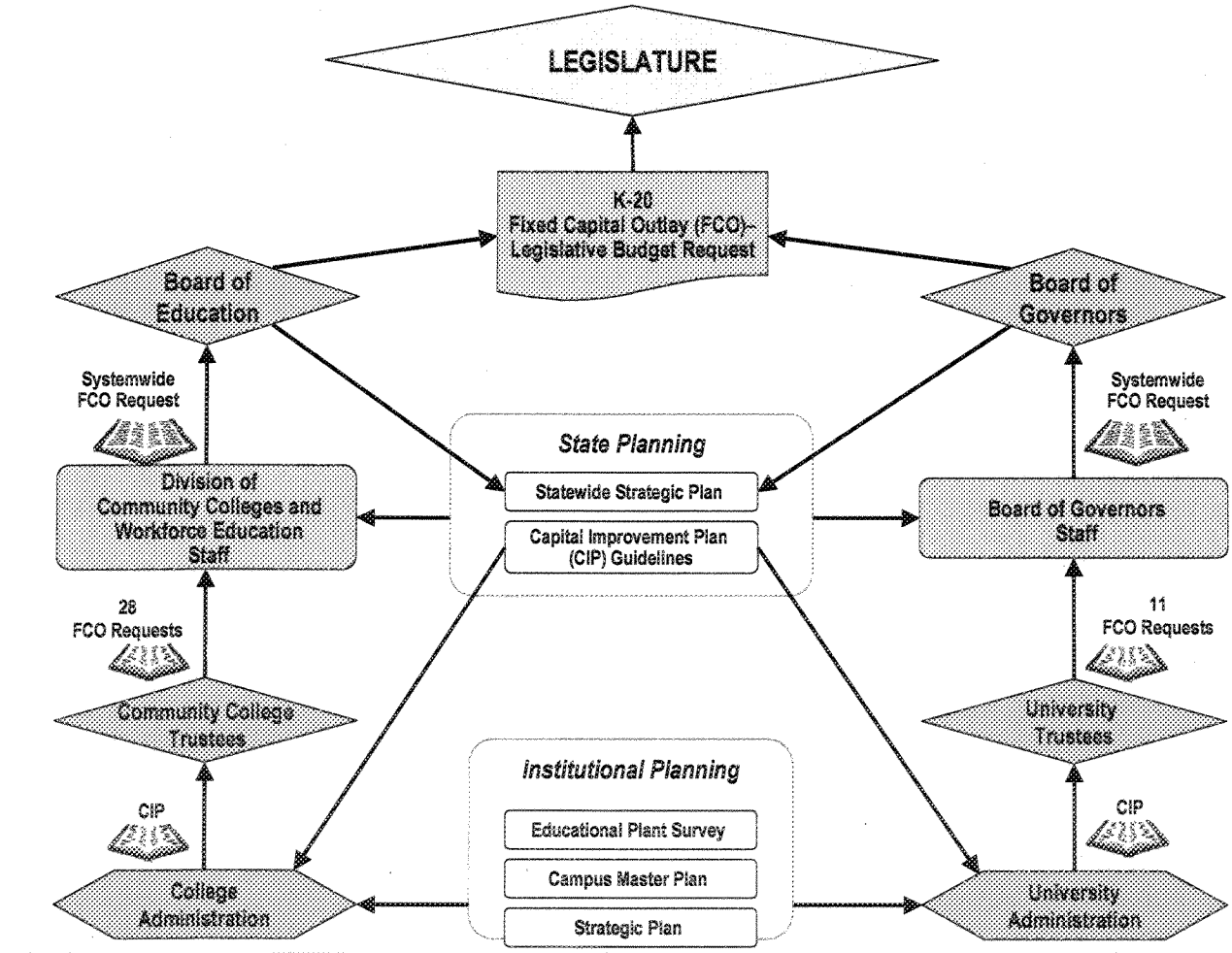
Source: Office of Economic and Demographic Research.

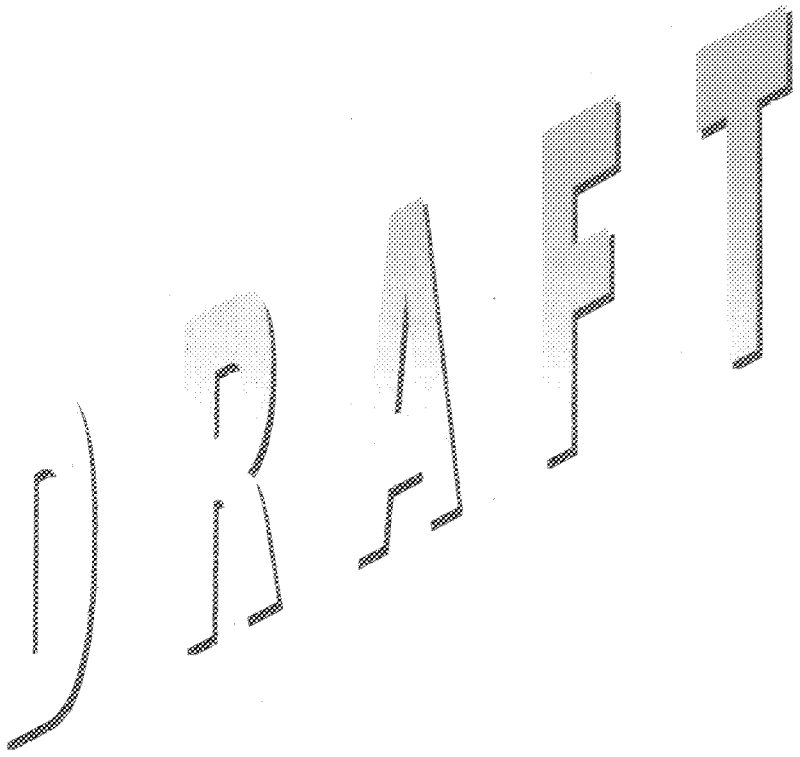
This appendix is based on information obtained from staff in the Office of Economic and Demographic Research as well as information on EDR's website at the following Internet address: http://edr.state.fl.us/conferences/peco/pecoflow.htm.

Appendix C

Higher Education Fixed Capital Outlay Legislative Budget Request Development Process

The flow chart demonstrates the planning process used by the state university and community college systems to arrive at a fixed capital outlay budget request for each system to be included in the annual K-20 Fixed Capital Outlay Legislative Budget Request.

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Tab B

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OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

March 2006 Report No. 06-xx

Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space

at a glance

Both the university and community college systems are building reasonably cost-effective facilities compared to national norms. However, these costs continue to rise while Public Education Capital Outlay (PECO) funding, the primary state source of higher education funding, is predicted to decline after 2006-07. Postsecondary institutions will need to develop long-term strategies to reduce construction costs, which should include adopting prototypical designs, implementing energy cost sharing, and maximizing existing facility use.

In general, the allocation of university and community college space is consistent with available national benchmarks and institutional missions. Although a relatively small percentage of all space is used for classrooms, this allocation is consistent with national norms and institutional differences reflect the student populations served.

Classrooms at some state universities and community colleges are underutilized. Overall, only about half of all university classrooms and less than half of community college classrooms have classes scheduled in them throughout the week. Classroom usage rates vary considerably by time of day, day of week, and institution. Although some factors affecting underutilization may be outside the control of institutions, they can take steps to improve classroom utilization and delay the need to build additional classrooms.

Scope

OPPAGA conducted this project in response to a legislative request to identify steps public universities, community colleges and the Department of Education could take to improve cost efficiencies in postsecondary education construction programs. This report examines the reasonableness of postsecondary facility construction costs (excluding vocational centers) and how well universities and community colleges use existing facility space. A separate OPPAGA report examines the efficiency and effectiveness of the postsecondary facility planning process.

Background

Responsibility for public postsecondary facilities construction is decentralized. Since 1995, the state's public universities and community colleges have administered their own construction programs with oversight provided by individual boards of trustees.[1] Postsecondary institutions

[1] Prior to the decentralization, the Department of Education staff, operating under the construction policy guidelines adopted by the Board of Regents, made the decisions regarding the construction programs for the 11 public universities. The 28 community colleges historically have exercised local control and management of their construction programs with approval from their local boards of trustees.

are responsible for the condition of their facilities and for identifying the need for maintenance, remodeling, acquisition or new construction funds to meet current needs and expected student growth. The institutions report this information through capital improvement plans that are submitted to their respective state-level divisions (the Board of Governors for the 11 colleges and universities and the Division of Community Colleges and Workforce Education for the 28 community colleges). The state divisions use this data to develop statewide funding recommendations that are included in the Department of Education's K-20 Legislative Capital Outlay Budget Request. To assist in selecting projects to recommend for funding from among those submitted by the institutions, the state divisions use models and formulas that take into account projected student enrollment, space standards, and current facility inventories to determine unmet space needs. This process is comprehensive and includes multiple levels of review and coordination with the Board of Education, local governments, and the institutions' strategic plans.

Postsecondary construction projects are funded from a variety of state and non-state sources. In Fiscal Year 2005-06, public universities and community colleges received $743.8 million for fixed capital outlay projects, which includes construction and infrastructure projects and land acquisition (see Exhibit 1). Public universities received 59% of these funds ($436.8 million) while community colleges received 41% ($307 million) (see Exhibits 2 and 3). .

Public Education Capital Outlay (PECO) funds are the largest source of legislative appropriation for postsecondary education fixed capital outlay projects. PECO funds are derived from gross receipt tax collections, bond sales and interest earnings. In Fiscal Year 2005-06, PECO funds accounted for 57.6% of fixed capital outlay appropriated funds for universities and 69% of community college capital outlay appropriations. Postsecondary institutions use PECO funds to pay for new construction as well as renovation, remodeling, maintenance, repair and site acquisition. The use of PECO funds is restricted to academic and academic support facilities such as classrooms, research facilities and office space. (Refer to Appendix B for more information on the source of PECO funds.)

Exhibit 1
The Legislature Appropriated $743.8 Million for Postsecondary Education Fixed Capital Outlay Programs for Fiscal Year 2005-06

Public University and Community College Construction Programs		
Fund Source	Percentage of Funding	Amount
State		
PECO	62.3%	$463,526,661
General Revenue	4.0%	29,504,369
Challenge Grant Program (state match)	5.4%	39,843,770
Capital Outlay and Debt Service	1.6%	12,223,771 [1]
SUS Concurrency	0.7%	5,400,000 [2]
Total	74.0%	$550,498,571
Non-State		
Challenge Grant (private funds)	5.4%	$39,843,770
Student Capital Improvement Fees	20.6%	153,485,087 [3]
Total	26.0%	$193,328,857
Florida Total	100.0%	$743,827,428

[1] Estimated.

[2] In accordance with s. 19(f)(2), Article III of the State Constitution, the University Concurrency Trust Fund, unless terminated earlier, will terminate on July 1, 2007.

[3] Student capital improvement and building fees are charged to students in addition to tuition to help finance student related fixed capital outlay projects. Generally, an appropriation is requested every three years based on the availability of funds.

Source: Board of Governors and Division of Community Colleges and Workforce Education.

In addition to PECO funds, there are several other fund sources for postsecondary education fixed capital outlay projects. These include general revenue, matching funds for donor contributions, (Challenge Grants) and concurrency funds. Postsecondary institutions generally use additional state funds for new construction that supports instruction or research. Concurrency funds are used to offset the impact of proposed campus developments on public facilities and services such as utilities, roads and drainage. The Legislature also appropriates non-state funds derived from student capital improvement and building fees. Postsecondary institutions generally use these fees to construct student-related specific projects such as student unions and recreation facilities.

Exhibit 2
Public University Construction Programs Received $436.8 Million for Fiscal Year 2005-06

Fund Source	Percentage of Funding	Amount
State		
PECO	57.6%	$251,522,143
General Revenue	4.8%	20,853,896
Challenge Grant Program	3.2%	14,142,393
SUS Concurrency	1.2%	5,400,000
Total	**66.8%**	**$291,918,432**
Non-State		
Challenge Grant (private funds)	3.2%	$14,142,393
Student Capital Improvement Fees	30.0%	130,722,927
Total	**33.2%**	**$144,865,320**
Florida Total	**100.0%**	**$436,783,752**

Source: Board of Governors.

Exhibit 3
Public Community College Construction Programs Received $307 Million for Fiscal Year 2005-06

Fund Source	Percentage of Funding	Amount
State Appropriations		
PECO	69.0%	$212,001,518
General Revenue	2.8%	8,650,473
CO and DS	4.0%	12,273,771[1]
Challenge Grant Program	8.4%	25,701,377
Total	**84.2%**	**$258,580,139**
Non-State Appropriations		
Challenge Grant (private funds)	8.4%	$25,701,377
Student Capital Improvement Fees	7.4%	22,762,160
Total	**15.8%**	**$48,463,,537**
Florida Total	**100.0%**	**$307,043,676**

[1]Estimated
Source: Division of Community Colleges and Workforce Education.

Postsecondary institutions also pay for fixed capital outlay projects using funds not subject to legislative appropriation and the fixed capital outlay budget process. These include projects financed by direct support organizations such as foundations, and those financed from revenue bonds from activities such as housing, parking, dining, retail, and athletic facilities where revenues are pledged to satisfy the debt. Although the Legislature must approve these capital projects, they are not subject to the legislative budget request development policy guidelines.[2]

See Appendix A for a description of the funds included in the exhibits.

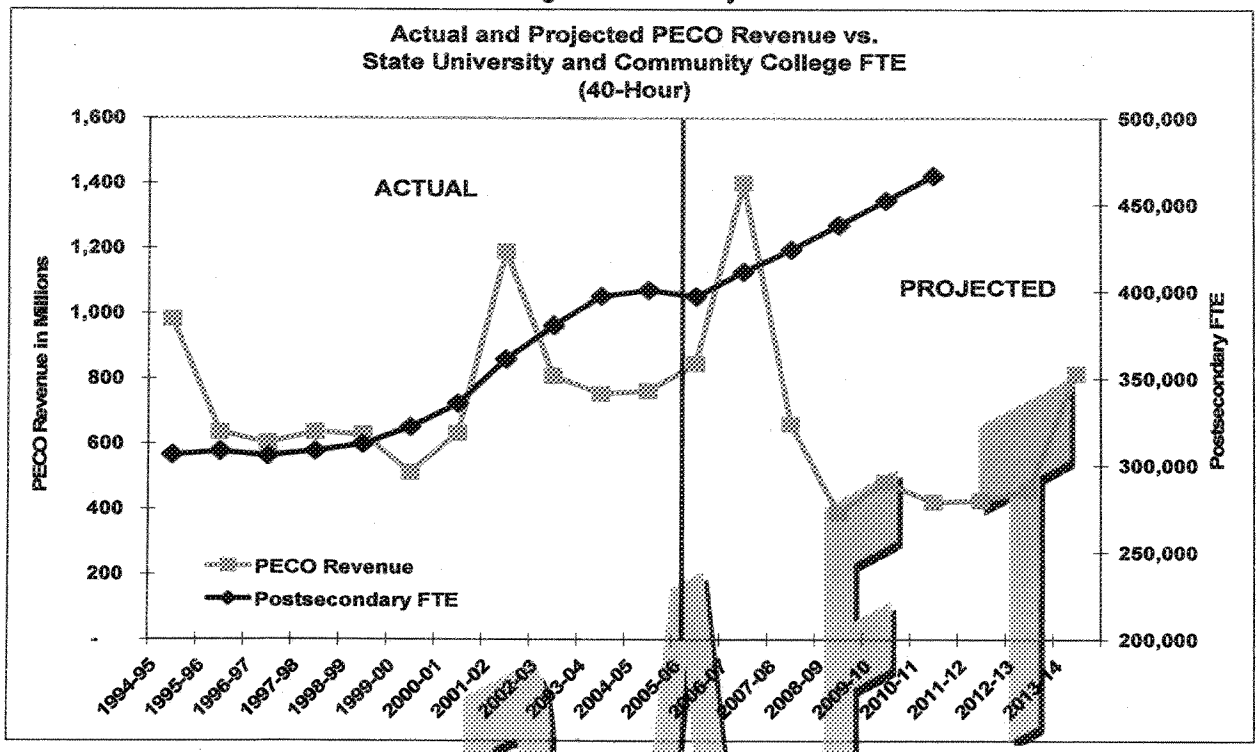
The projected decreases in available PECO funds may make it difficult for postsecondary institutions to fund facility projects. As shown in Exhibit 4, the November 2005 Revenue Estimating Conference projected a steep decrease in available PECO funds after 2006-07. These projections are based on predictions that future economic conditions will decrease gross receipts tax revenues, which are the dedicated source of PECO funds. The Estimating Conference projects that the total available PECO funds will drop from $1.4 billion in Fiscal Year 2006-07 to $386 million in Fiscal Year 2008-09 before beginning a gradual recovery. Coinciding with this decrease in available PECO funds is a projected 3% increase in students enrolling in public colleges and universities and an anticipated increase in competition for PECO funds to build additional K-12 classrooms to meet the requirements associated with the state class size amendment. Because postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects, expected decreases in available PECO funds may make it more difficult for the state's public colleges and universities to fund new construction and renovation projects. (For more information on why PECO funds fluctuate refer to Appendix B.)

In light of this situation, it is critical that postsecondary institutions minimize construction costs and use existing facilities as efficiently as possible. Therefore, this report examines

- whether postsecondary facility construction costs are reasonable compared to national benchmarks;
- what opportunities exist to further reduce these costs; and
- how postsecondary institutions allocate and use existing facility space, and whether there are ways to use space more efficiently.

[2] Sections 1004.065 and 1013.78, *F.S.*

Exhibit 4
PECO Funds Are Predicted to Decline as College and University Enrollments Increase



Source: The Revenue Estimating Conference, updated November 4, 2005. The Division of Colleges and Universities and the Division of Community Colleges and Workforce Education provided the enrollment projections.

Findings

Florida's higher education construction costs below national averages but continue to climb

Educational facilities are more costly to build than many other types of construction. Reasons for these higher costs include the type of facilities built, higher land costs, and the stricter building codes, regulations, and standards that educational facilities must meet.[3] University facilities generally include state-of-the art technology as well as amenities to attract students. In addition, these facilities are designed for high use over long periods of time. Contractors are usually required to meet the highest industry coverage for insurance and bonding and often must build on occupied sites with minimal impact on campus life.[4] These factors all increase facility design and construction costs.

Florida's higher education construction costs are consistent with national norms. In general, Florida's postsecondary institutions build facilities at a relatively low cost. The "2005 Construction Report" from *College Planning and Management* compares state construction costs for categories of facilities to national norms. Exhibit 5 shows that compared to a 2005 national sample of college construction projects, Florida's postsecondary institutions built libraries and research laboratories in 2004 at an average price that was in the lowest national quartile. Florida's postsecondary institutions also built academic classrooms at a cost below the national median. Florida's costs for community college and university offices were above that national median but substantially below the highest quartile. Overall, Florida's postsecondary institutions' construction costs compared favorably with the costs of similar types of construction nationally.

[3] Sections 1013.37 and 1013.371, *F.S.*

[4] Guckert, D. and King, J., "The High Cost of Building a Better University," *Facility Manager*, Volume 21, Number 3, May/June 2005.

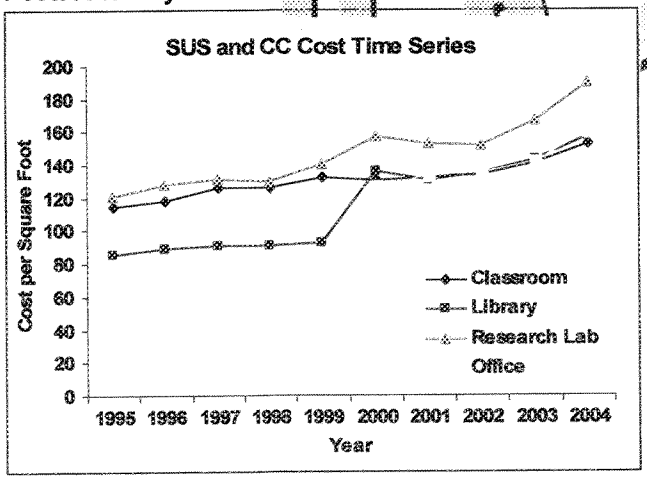
Exhibit 5
Florida's Postsecondary Construction Costs Are Generally Lower Than National Benchmarks

Building Type	National Median Total Cost	National Low Quartile Cost /Square Foot	National Median Cost /Square Foot	National High Quartile Cost /Square Foot	Florida Median Cost /Square Foot (2004)
Academic	$ 8,000,000	$129.09	$172.82	$221.11	$148.73
Library	16,000,000	191.48	235.29	326.62	152.58
Office	6,500,000	107.64	138.44	235.29	155.11
Science	20,000,000	201.83	240.00	294.05	183.99

Source: "2005 Construction Report," *College Planning and Management*, February 2005 and OPPAGA analysis of Board of Governors and Division of Community Colleges and Workforce Education Data.

Florida's higher education construction costs continue to climb. As Exhibit 6 demonstrates, the cost of constructing postsecondary facilities, such as classrooms, offices, research labs, and libraries, has increased 4.6% annually over the past 10 years. This increase mirrors the steady rise in construction costs across the country. The cost of construction has increased more steeply over the past three years because of factors including high demand for building materials and labor, international competition for raw materials such as steel, and unusually destructive hurricane seasons.

Exhibit 6
Postsecondary Construction Costs Continue to Climb



Source: Florida Department of Education construction cost data.

Universities and community colleges should adopt several strategies to address the rising construction costs

The rising cost of new construction has had a noticeable effect on postsecondary institutions. Several postsecondary education facility managers reported having difficulty getting responses to bids and were downsizing planned facilities in order to meet available funding. For example, Valencia Community College had to build a smaller building than originally planned because of rising costs during the three-year interval between planning, funding and completing the project. As construction costs are likely to continue to rise in the future while state funds available for capital outlay are projected to decrease, postsecondary institutions need to develop long-term strategies to reduce construction costs to the extent possible. These strategies should include using prototype designs, energy cost sharing, and maximizing use of existing facilities.

Prototypes can help to reduce postsecondary construction facility costs. Florida's school districts have successfully used prototypes, or repeating a designed model, to lower construction costs for building new elementary, middle and high schools. For example DOE awarded $350 million in School Infrastructure Thrift Awards to K-12 public schools and charter schools that used frugal construction methods, including prototypes, to construct lower cost schools. In addition, the state has successfully used prototype designs for the Satellite Office Center.

The savings gained by using prototypes depends on a number of factors including the type of facility constructed, the number of times the design is used, and the number of modifications requested each time the design is reused. However, the experiences of Florida's school districts and the Satellite Office Center, prototype designs can reduce construction costs by as much

as 6% to 9% due to lower architectural fees and time savings in developing, reviewing, and approving facility designs. Prototype designs also reduce the overall time of construction and cost increases due to inflation.

Some postsecondary institutions are beginning to use prototypes to reduce costs. The Division of Community Colleges and Workforce Education achieved a 12% to 15% savings in design costs in 2004 by developing a prototype nursing/science building that was used by four community colleges.[5] The prototype was designed by a single architect, avoiding the need for separate designs for each individual building. This prototype design can be used by other community colleges seeking to construct similar buildings. Division staff note that community colleges will achieve similar savings only if they avoid making extensive modifications to the prototype design, which the division cannot preclude given the decentralization of the facility construction process.

Increased use of capital equipment replacement cost sharing can produce savings. Colleges and universities also can maximize their capital outlay funds by partnering with utility companies or equipment manufacturers to install and upgrade capital equipment and systems and using the future energy savings as repayment. This concept, referred to as 'performance contracting,' may help postsecondary institutions stretch scarce fixed capital outlay funds for use in building new facilities and renovations. The 2004-05 Fiscal Year community college Capital Projects Plan identified 19 energy related projects statewide; therefore the potential for savings can be significant in reducing equipment replacement costs and future operating costs.

The *Florida Statutes* encourage state agencies, school districts, community colleges, and universities to consider energy performance contracting before making large investments in equipment.[6] Several universities and community colleges have benefited from this type of arrangement. For instance, Brevard Community College partnered with Florida Power and Light to take advantage of a campus chiller replacement at an installed cost of $6 million with guaranteed annual energy savings of $750,000 for 10 years. In addition, Miami-Dade Public Schools made improvements/ replacements to lighting, water, chillers, EMS controls and cooling towers at a project dollar cost of $6.5 million with guaranteed annual energy savings of $418,000 annually for 10 years. Other universities or community colleges should investigate opportunities for similar savings. By entering into a contract with an outside energy service company (ESCO) under which the ESCO receives a portion of the guaranteed energy savings to offset and repay the up-front costs of the equipment provided, institutions may be able to upgrade capital equipment sooner than anticipated. The ESCO usually guarantees a specific level of energy savings.

Some university and community colleges may be able to increase classroom utilization and delay the need for new classrooms

In addition to adopting cost-saving strategies when building or renovating facilities, postsecondary institutions also need to evaluate how they currently use space in order to avoid the need to build new facilities, particularly classrooms. Florida's higher education institutions devote between 3% to 23% of their space to classrooms. This range is consistent with national benchmarks and reflects institutional differences in the students they serve.

Classrooms at some state universities and community colleges are underutilized. Overall, only about half of all university classrooms statewide and less than half of community college classrooms have classes scheduled in them throughout the week. Classroom usage rates vary considerably by time of day, day of the week, and institution. While some factors contributing to underutilization are outside the institutions' control, they can take steps to improve classroom utilization and delay the need to build additional classrooms.

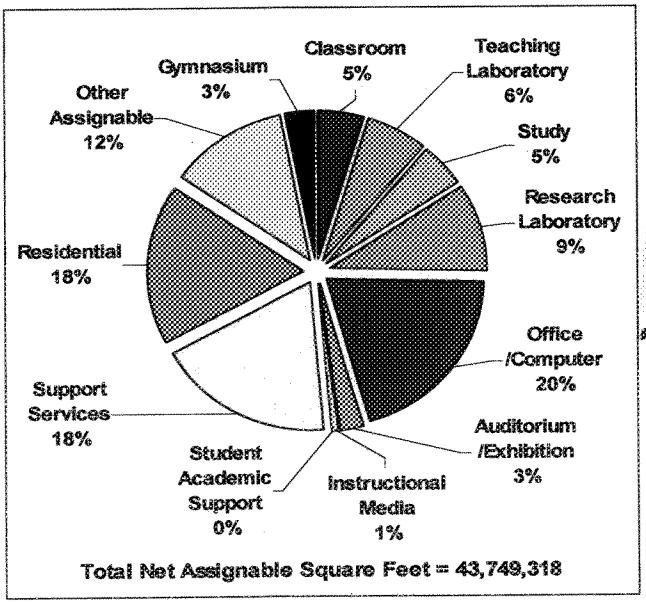
[5] Lake-Sumter, Palm Beach, St. John's River, and South Florida Community Colleges.

[6] Sections 1013.23(3)(d) and 489.145(4)(b), *F.S.*

Florida's use of postsecondary facility space is consistent with national benchmarks and institutional differences

Florida's allocation of state university system space use is generally consistent with available national benchmarks. For instance, although classrooms comprise just 5% of total assignable space at state universities, this percentage is comparable to the 5.2% average among public universities nationally according to a study of 25 public universities conducted in 2002.[7,8] In addition, the university system's allocation of office space, the largest category of space at 20%, is consistent with the 22.5% national norm. Exhibit 7 shows the allocation of state university system space based on state reporting codes.

Exhibit 7
State University System Space Allocation Is Consistent with National Benchmarks

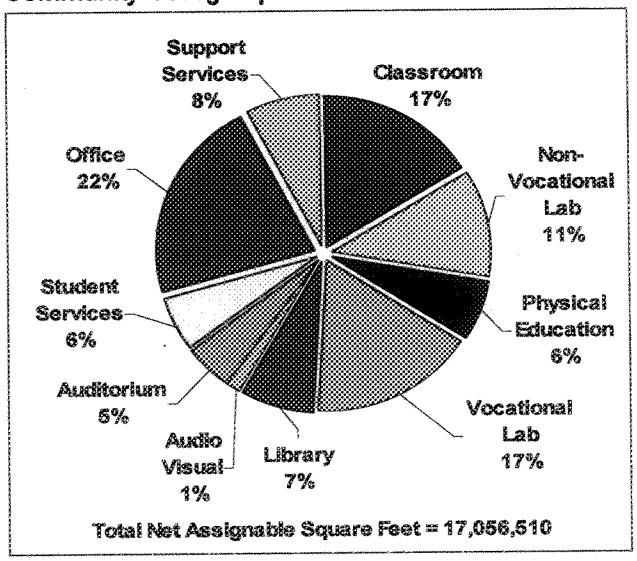


Source: Florida Department of Education.

Space by use category varies across state universities and is influenced heavily by institutional missions. Research universities such as the University of Florida and Florida State University generally have a higher percentage of space allocated to research and a lower percentage of classroom space than other state universities. In contrast, less research-intensive universities such as Florida Gulf Coast University and the University of West Florida have a larger percentage of classroom space and a smaller percentage of their space devoted to research compared to the system as a whole. Although the percentages of space allocated to academic, administrative and support varies across universities, the ranges within the university system are within national norms.

We could not make a similar assessment of community colleges' space allocation due to the lack of similar national benchmarks. Exhibit 8 shows community colleges devote a higher overall percentage of their total space to classrooms than does Florida's university system (17% and 5%, respectively), a lower percentage of space to support services, and no space to residential facilities. This reflects the differences in the two systems' primary mission and student populations served. As community colleges are nonresidential schools, they do not require the infrastructure to support students living on campus and thus their amount of space devoted to classroom use would be expected to be higher. Also, community colleges do not have a primary research mission and serve a considerable number of students in vocational and technical programs.

Exhibit 8
Community College Space Allocation Is Reasonable



Source: Florida Department of Education.

[7] "Classroom Use and Utilization," *Facilities Manager*, May/June 2002.

[8] Instructional space in teaching and research laboratories is not included.

State universities and community colleges display different classrom utilization trends, but there is underutilization in both systems

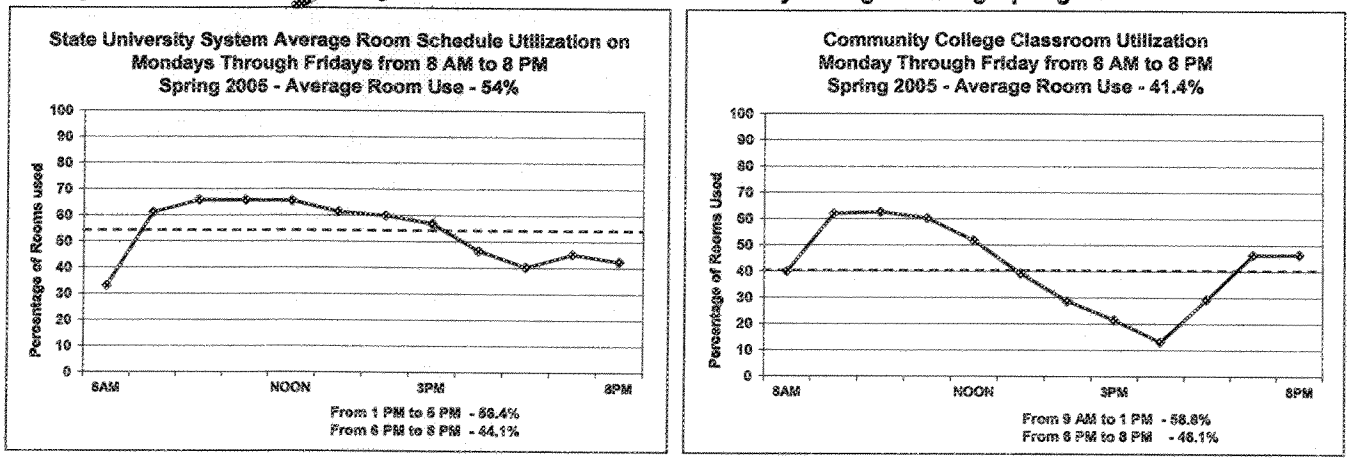
Overall, only about half of all university classrooms and less than half of community college classrooms have classes scheduled in them throughout the week. Classroom usage is generally higher among state universities compared to community colleges. Exhibit 9 shows that, an average of 54% of university classrooms are scheduled for instructional use at any given hour of the week (Monday through Friday, between 8 AM and 8 PM).[9] Community colleges have lower classroom utilization, with an average of 41.4% of classrooms are scheduled for instructional use at any given hour of the week.

Average classroom utilization rates vary across institutions, with some having substantially higher usage rates than others. For instance, four universities (Florida Gulf Coast University, Florida State University, University of Central Florida, and the University of North Florida) have an average classroom usage rate of 60% or more, while six community colleges (Chipola, Florida Keys, North Florida, Okaloosa-Walton, Pasco-Hernando, and South Florida) have average classroom usage rates of less than 30%. Institutions' overall classroom utilization rates were sometimes affected by branch campuses that had very low utilization rates. For example, the Florida Atlantic University main campus (98 classrooms) has a usage rate of 50.1%, but the Davie branch campus (35 classrooms) has a usage rate of only 35.7%, bringing the institutional total to 46.3%. Please see Appendix C for utilization profiles for the individual institutions.

Classroom usage varies significantly by hour of the day. Some universities and community colleges have relatively even average classroom use throughout the day while others experience relatively large swings in usage ranging from periods in which almost all available classrooms are in use to periods in which many classrooms remain idle. Exhibit 9 also shows that the peak classroom usage hours for universities are from 9 AM through 1 PM, when approximately two-thirds of classrooms are in use. Usage typically declines steadily throughout the afternoon with a slight increase in the evening, with 56.4% of classrooms in use between 1 and 3 PM and 44.1% in use between 6 and 8 PM. This trend varies somewhat by institution reflecting differences in the students they serve. For instance, classroom use at the University of Florida and Florida State University, which are research institutions serving mostly full-time and residential students, tapers off earlier in the day and drops more steeply in the afternoon than at institutions that serve more part-time and commuting students, such as the University of South Florida and the University of West Florida.

[9] For our analysis, we measured classroom utilization by counting hours of scheduled classroom use within this timeframe. Instructional space in teaching laboratories and research laboratories is not included.

Exhibit 9
Average Classroom Utilization by State Universities and Community Colleges During Spring 2005



Source: OPPAGA analysis of utilization data provided by the Board of Governors and by the Division of Community Colleges and Workforce Education.

Community colleges tend to experience two peak classroom usage periods, with an initial peak between 9 AM to 1 PM when 58.8% of classrooms are in use systemwide. A second peak occurs between 6 and 8 PM when an average of 46.1% of all community college classrooms are in use. Community college administrators indicate that these patterns reflect student work patterns, with the steep dip in the utilization rate at 4 PM (when only 13% of classrooms are in use) occurring when students are commuting and transitioning to or from work.

Classrooms are underutilized on Fridays. As illustrated in Exhibit 10, classroom usage varies considerably by day of week. University and community college classrooms receive their highest use from Monday through Thursday, when on average 59.7% and 46.7%, respectively, are in use between 8 AM and 8 PM. Usage differences during this period are relatively small.

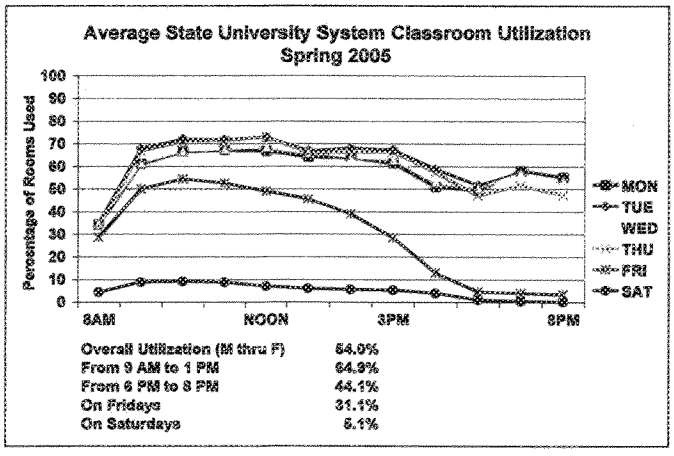
Both universities and community colleges experience significant declines in classroom usage on Fridays, particularly in the afternoon and evening hours. On average only 31% of university classrooms are in use on Fridays, as are only 20% of community college classrooms. Underutilization of classrooms on Fridays is not unique to Florida but rather a nationwide phenomenon in higher education. National studies and Florida community college and university administrators indicated that both students and faculty often prefer to have few or no Friday classes; students wish to begin their weekend early and faculty use Fridays for meetings and research.

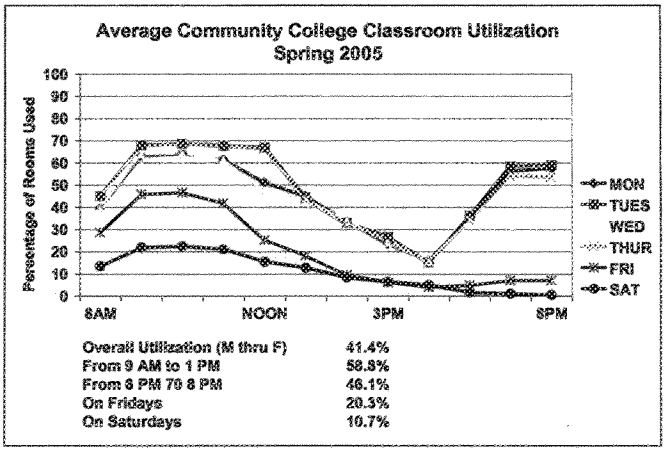
Although influenced by market driven forces, classroom underutilization can be addressed in several ways

Improved management of classroom utilization can help administrators avoid significant negative consequences for both institutions and students. As peak classroom usage tends to drive the need for additional classrooms as well as auxiliary facilities such as parking garages, unsuccessful classroom management practices can lead institutions to build additional facilities ahead of need to peak demand periods. It also can result in limiting course offerings at times during the week, which can limit students' choice of curriculum and possibly delay graduation if they can only attend school during specific times of the day or week.

The state universities and community colleges face constraints in managing classroom utilization. They must compete with other postsecondary institutions for students and thus tend to offer courses when they believe students prefer to take them. In addition, students often have family and work responsibilities that can limit the days and times they are able to take classes. The physical environment itself can also hinder better classroom management. Some of the older, smaller university classrooms need to be remodeled to accommodate larger numbers of students to reduce the operating and

Exhibit 10
Utilization Varies by Day of Week and Time of Day





Source: OPPAGA analysis of Florida Department of Education utilization data.

instructional costs per student. However, our assessments of community colleges and universities with both high and low classroom utilization rates identified steps institutions can take to improve classroom management. These strategies are discussed below.

Establish institutional goals to increase classroom utilization. Universities and community colleges that have set classroom utilization goals have adopted successful strategies to increase utilization rates. For example, both Florida State University and the University of Central Florida have established goals that exceed the state's minimum standards for classroom utilization on their main campuses. Administrators at these universities indicate that setting these goals enabled them to focus on the issue and identify strategies to attain the goals. These universities report that by setting institutional goals to increase average classroom utilization and reporting back to faculty and staff on how well it is meeting these goals, institutions should be able to improve classroom utilization.

Disseminate more detailed information on classroom usage patterns and solicit suggestions for increasing utilization from administrators, faculty, and staff. Some of the institutions we contacted provided information on classroom usage patterns to faculty and staff to improve facility utilization. For example, the Hillsborough Community College facilities department performs a post hoc briefing of campus presidents and deans after each semester to share information and figure out how they can improve classroom utilization. Florida State University uses scheduling software that produces color coded charts to spot underutilized classrooms which can then be reassigned. This information is provided by the provost to faculty and staff. Both Hillsborough Community College and Florida State University believe that providing feedback to users has helped them increase their utilization rate over the past few years. By broadly sharing more detailed information on classroom usage patterns and asking administrators, faculty, and staff for their ideas on how to increase utilization, other postsecondary institutions may be able to experience similar improvements in utilization.

Improve utilization data submitted to institution managers and state policymakers. Managers and policymakers need complete and accurate data on how classrooms are being used to make informed choices about facility needs and space management. The DOE and Board of Governors require regular reporting of classroom utilization; however, data for some universities is incomplete. For instance, all universities report utilization data for their main campus which reflect the majority of their classroom space, but they do not provide complete information on their other campuses. State university administrators we spoke to and our review of available data suggest that classroom utilization on branch campuses was often much lower than main campuses. As a result, classroom utilization rates for universities that do not include data for all campuses are more likely to be slightly lower than reported. Under reported data was not a problem for community colleges.

In addition, Florida International University data reflected significant mismatches between the room inventory file and course file. A low match rate could result in under-representing the actual utilization rate if it was due to low usage rooms missing from the room inventory file. These errors should have been detected and corrected by either Florida International University and/or the Board of Governors when the data was originally submitted and before the instructional activity file accepted. We worked with the Board of Governors and Florida International University staff to correct utilization data used in our analysis. However, currently there is no process to identify and correct these problems.

Finally, although universities and community colleges are encouraged to look for joint use and shared use opportunities with other institutions to maximize the use of their space, data on shared use of classrooms is not reported. [10] For example, Pasco-Hernando Community College makes 13 classrooms available to the University of South Florida, but this shared use is not included in either institution's utilization data. According to university officials shared use of space is more

[10] A joint use facility is funded and built for cooperative use. Shared use is a room or space shared by the host institution and the visitor institution, that is, the room is not assigned to only one or the other but used by both.

common in the community college system than the university system. Without this information, classrooms may appear idle when, in fact, they are in use.

Despite these deficiencies, we determined that the data was complete enough to assess system wide classroom utilization. However, these data reporting issues need to be addressed to ensure that managers can identify where problems are and to better inform policymakers on the needs for additional classrooms at individual institutions.

Review and improve scheduling practices. All of the institutions we interviewed consider the needs of academic units in cooperation with academic affairs or provost's offices to determine the number of course sections to offer based on enrollment history, for example a two- or three-year average for each section. A number of other considerations besides student work schedules also go into decisions about when and where classes are offered, such as accessibility, student and faculty commute time, and specific classroom technology needs. Over time, the process shapes the class schedule to meet the needs of students primarily and faculty to a lesser degree. However, administrators at the state postsecondary institutions we contacted indicated that they have implemented a variety of scheduling strategies to better manage classroom space to reduce peak usage times, relieve stress on support infrastructure and avoid restricting course offerings to mid week. For example, Florida State University posts courses in its on-line registration system in stages with the off-peak times offered first to boost enrollment during these times. In addition, the University of Central Florida reported that it cut traffic congestion in half and reduced the pressure on parking lots by adopting three-hour block scheduling for academic units. Any unassigned time periods in the block causes the academic unit to lose the entire block to centralized scheduling, so the academic units now cooperate better among themselves to schedule all of the time allotted to them. Other institutions schedule required courses during lower demand time and shift electives to more desirable peak periods. To make better use of Fridays, Hillsborough and Pasco-Hernando Community colleges, which historically had no classes on Fridays, now schedule classes on Fridays. UWF requires 60% of its 1000 and 2000 level courses to be MWF classes. Although the scheduling strategies differ among institutions, higher education administrators may want to contact other institutions to identify scheduling strategies that could be adopted to help them better manage demand.

Survey students to identify their preferences and limitations. Postsecondary institutions we contacted generally relied on observation and professional experience to determine student preferences and flexibility, and to determine which strategies might provide incentives for students to enroll in classes during non-peak hours. The opinions of experienced administrators often can be very reliable indicators of student preferences and ability to take courses during certain times of the times of the day or day of the week.

However, postsecondary institutions may benefit from directly asking students their preferences and limitations. This can be done in a variety of ways including by conducting periodic customer surveys or focus groups. For instance, by surveying students state colleges and universities would be able to verify whether their assumptions are true and identify which strategies to increase classroom utilization might appeal to students. Gathering information directly from students also may help identify changes in preferences over time.

Review the need for underutilized campuses and centers. Many of Florida's public postsecondary institutions have not developed criteria or formal review processes for opening or closing of sites, particularly branch campuses and centers. Rather state colleges and universities we contacted generally relied on informal processes for establishing sites based on community development and projected enrollment. In addition, once created many sites remain open despite low classroom usage.

We identified eight community college campuses or centers with average classroom utilization rates of less than 20%.[11] Fewer of these underutilized sites may be created or maintained if institutions develop policies or guidelines for establishing and reviewing the performance of new campuses and centers. These policies would evaluate community growth patterns and projected enrollment, costs and benefits, and utilization thresholds before and after a campus or center is created. In addition, because classroom utilization may vary over time or it may take several years to build up demand at some of these campuses and centers, in the short term, institutions should explore joint-use possibilities with partner institutions such as private colleges and, if possible, local public schools to use underutilized classrooms. However, if these campuses and centers remain idle or underutilized over the long term, institutions should convert the classrooms to some other use or consider closing the sites all together.

Provide financial incentives to encourage students to take classes during low use periods. Another market-based approach to improve utilization would be to charge lower tuition rates for courses scheduled in non-peak periods. This solution would create economic incentives for students to take courses at heretofore unpopular time periods. Administrators we spoke to at Miami-Dade College thought this idea might make afternoon classes more attractive to some of their students. To maximize use of its facilities, the University of Oregon reduced tuition rates by 15% for courses taken outside of its peak usage times, before 9 AM and after 3 PM. The university reports that 25% of its students took advantage of the plan during the 2003 fall term and estimated that it will offer 37% of its undergraduate credit hours under the reduced price plan. However, some of the other institutions we interviewed were unsure if lower tuition rates would work for their students since many of them did not pay their own tuition. Currently, community colleges have limited authority to charge variable fees, from 10% below or 15% above the combined total of the fee schedule adopted by the State Board of Education and the technology fee adopted by the board of trustees. The SUS institutions cannot charge variable tuition rates.

Some possible pitfalls pointed out by the institutions with this approach include a possible lack of administrative capacity to implement more complicated fee schedules and initial confusion on the part of fee-paying students. In addition, offering non-peak tuition rates could reduce tuition revenue unless it is offset by a tuition increase. The University of Oregon estimated it would forgo $1.5 million in tuition during the 2003-04 school year. A similar non-peak tuition plan utilized at Florida institutions would need to be offset by a 5% increase in tuition for students taking courses during peak times so that a tuition loss is not realized.[12] However, not all Florida institutions may need to implement a variable tuition plan. Institutions with large swings in classroom usage that experience both high and low usage during the week may benefit most from non-peak tuition. The amount of building costs that could be deferred would depend on which institutions implemented the policy and how many students took advantage of the plan. Other cost savings could include the need for fewer parking garages and other facilities required to accommodate the impact of students on campus during peak time periods. Although one solution will not work for all institutions, at a minimum, surveying students to determine if financial incentives would encourage students to take classes during non-peak hours could reveal whether this is a viable option.

Conclusions and Recommendations

While Florida's construction costs for higher education institutions are within national benchmarks, these costs and future demand for facilities continue to climb due largely to

[11] Broward Community College Downtown Center, Florida Community College at Jacksonville Nassau City Center, Okaloosa-Walton Community College Chatauqua and Sikes Center, St. Petersburg Community College Seminole Campus and Health Education Center, Santa Fe Community College Institute of Public Safety and South Florida Community College DeSoto Campus.

[12] Based on 2004-05 tuition rates and credit hours taken by students, a total of $846 million would be generated in tuition without non-peak discounts. Tuition generated with a 15% discount and 25% of courses offered during non-peak hours would be $814 million. Thus, tuition revenue lost by instituting such a discount policy at all state universities and community colleges without a corresponding increase in tuition during other times would be $32 million.

economic and demographic factors, while the funds available for construction projects are projected to decrease.

In addition, classrooms at some state universities and community colleges are underutilized. Overall, about half of all university classrooms and less than half of community college classrooms have classes scheduled in them throughout the week. Classroom usage rates vary considerably by time of day, day of week and institution. Although some factors affecting underutilization may be outside the control of institutions, they can take steps to improve classroom utilization and delay the need to build additional classrooms.

We thus recommend that the Department of Education, the Board of Governors, and the state's public universities and community colleges develop strategies to minimize construction costs and use existing facilities as efficiently as possible. These strategies should include using prototypical building designs, energy cost sharing, and maximizing the use of existing facilities through better classroom management policies.

The Legislature should consider requiring public colleges and universities to demonstrate that they have implemented comprehensive strategies to maximize use of existing classrooms before approving funding for additional classroom space. At a minimum, strategies should address:

- scheduling more class time to non-peak classroom usage periods;
- fully utilizing Fridays when scheduling classes;
- providing tuition incentives to students to take classes during non-peaks times; and
- establishing institutional classroom usage goals, reviewing scheduling processes, and routinely collecting and reporting facility usage data on all campuses.

Each postsecondary institution should report to its board of trustees, DOE, and the Board of Governors on the success of these strategies and provide utilization data by day of week and hour of day when requesting additional classroom space.

- The Legislature may wish to consider providing universities flexibility to offer variable tuition for classes scheduled during peak and off- peak demand times. Given the uncertainty regarding the effects of variable tuition, the Legislature could pilot a variable tuition program to determine the impact on classroom utilization, student enrollment patterns, and tuition revenue prior to granting tuition flexibility to all universities.
- Because national research shows that classroom utilization is a relatively good indicator of how efficiently other higher education space is used, local boards of trustees, DOE and the BOG should consider requiring postsecondary institutions to examine how efficiently they use all major categories of space and consider this information when determining, prioritizing and funding fixed capital outlay projects. This information can be provided in the institution's capital improvement plan.
- To better inform policymakers on the needs for additional classrooms at individual institutions, DOE and the Board of Governors should ensure that all institutions provide utilization data for each campus and require institutions to submit updated inventory data each time utilization data is submitted.

To ensure the accuracy of university classroom utilization data, the Board of Governors should work with universities to develop a procedure to identify the file submission process.

- To obtain a more complete picture of how well instructional space is scheduled and utilized, the DOE and BOG should consider including joint use and shared use of instructional space as additional, separate categories for data collection and analysis. When addressing this issue, the BOG and DOE should clarify and jointly agree which institutions should be credited for utilization of jointly owned classroom facilities.
- To save on construction, remodeling and renovation costs, universities and community colleges should evaluate potential savings from energy contracting before replacing or upgrading expensive equipment such as HVAC.

Appendix A

Fixed Capital Outlay Legislative Budget

The following information contains definitions of common terms, source of funds, purpose and restrictions on funds for projects funded through the fixed capital outlay budget process.

Capital Outlay and Debt Service (CO & DS)

- Revenues from motor vehicle licenses
- Allocated to school districts and community colleges
- Revenues are bonded and proceeds allocated based on a funding formula

Facility Enhancement Challenge Grant Program

- Facility must support instruction or research
- Must be included in the institution's Five-Year Capital Improvement Program
- Private cash matching must be on deposit
- State matching funds are recommended for eligible projects

2005-2006 Capital Improvement Trust Fund Projects

- Generally requested every three years based on availability of funds
- Used for student-related projects such as student unions and recreational facilities
- Financed by fee collections and bonds issued with a pledge of revenues from the fees

2005-2006 Supplemental Special Request Project List

- Developed to address issues not financed by the SUS share of PECO funds and other SUS sources
- Issues include critical deferred maintenance, Americans with Disabilities Act corrections, federal grant matches, and other special projects

2005-2006 Projects That Require General Revenue for Operation

- Projects requiring state general revenue for operations but built with non-state funds

2005-2006 Authorization to Sell Revenue Bonds on Behalf of Universities

- Projects financed by revenue bonds
- Projects include dormitories, parking garages, and bookstores
- Operating revenues pledged to pay debt service

2005-2006 Authority for Financing and Acquisition of Facilities by Direct Support Organizations

- Facilities constructed or financed by Direct Support Organizations
- Typical projects include dormitories, athletic, research, and international studies facilities

2005-2006 PECO Remodeling/Renovation/Repair/ Maintenance Formula Funds Appropriation Request

- Allocated based on a depreciation formula to the education sectors from the total amount of available PECO funds
- Allocations made to public schools, community colleges, and state universities
- Funded form cash portion of available PECO revenues
- Funds used to expand or upgrade current educational facilities to prolong useful life

2005-2006 Concurrency Trust Fund Appropriation Request

- Trust fund supported by revenues from local option gas tax
- Funds used to correct deficiencies in public facilities and services caused by proposed campus development
- Impact determined through Campus Development Agreements between University Boards of Trustees and affected host local government

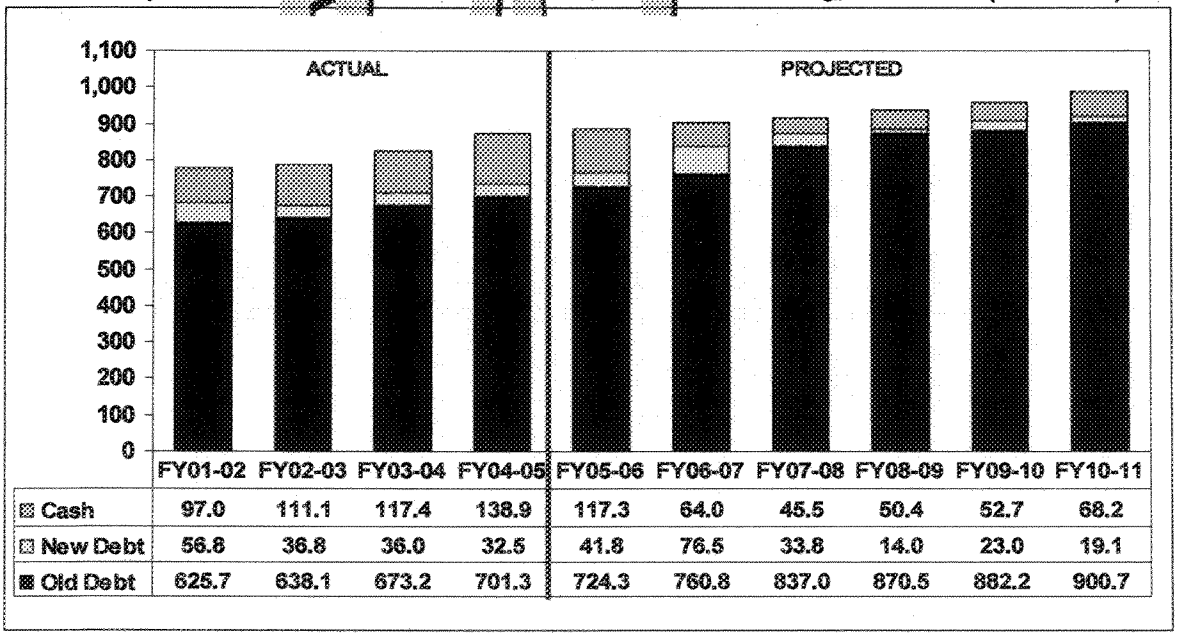
Appendix B

The Source of PECO Revenues and Why PECO Revenues Fluctuate

The source of PECO revenue is the revenues from the gross receipts tax on utilities services (2.5%) and communications services (2.37%) as defined in s. 203.01, *Florida Statutes*. Most of the PECO revenues is generated from bonding a portion of the gross receipt tax revenues. The gross receipts tax is a relatively stable and generally slow growing tax source, making it an ideal revenue source for financing the sale of bonds. PECO bond proceeds are the primary source of legislative funding for postsecondary academic facilities.

Constitutional and statutory restrictions limit the amount of revenues that can be devoted to bonding to 90%of the average of the past two years' of revenues. The remaining revenue must be spent as cash. Table B-1 shows the actual and projected gross receipts tax revenues from 2001-02 to 2010-11. Each bar is broken into three parts: revenue committed to paying off existing bonds and, thus, not available for appropriation (the bottom section); cash that is not available for bonding (the top section); and new revenues available for bonding (the middle section). The amount available for appropriation includes the cash (the top section) and the new revenues available from bonding the amount in the middle section of each bar.

Table B-1
Gross Receipts Tax Revenues, November 1, 2005, Revenue Estimating Conference (in Millions)



	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
Cash	97.0	111.1	117.4	138.9	117.3	64.0	45.5	50.4	52.7	68.2
New Debt	56.8	36.8	36.0	32.5	41.8	76.5	33.8	14.0	23.0	19.1
Old Debt	625.7	638.1	673.2	701.3	724.3	760.8	837.0	870.5	882.2	900.7

Source: Office of Economic and Demographic Research.

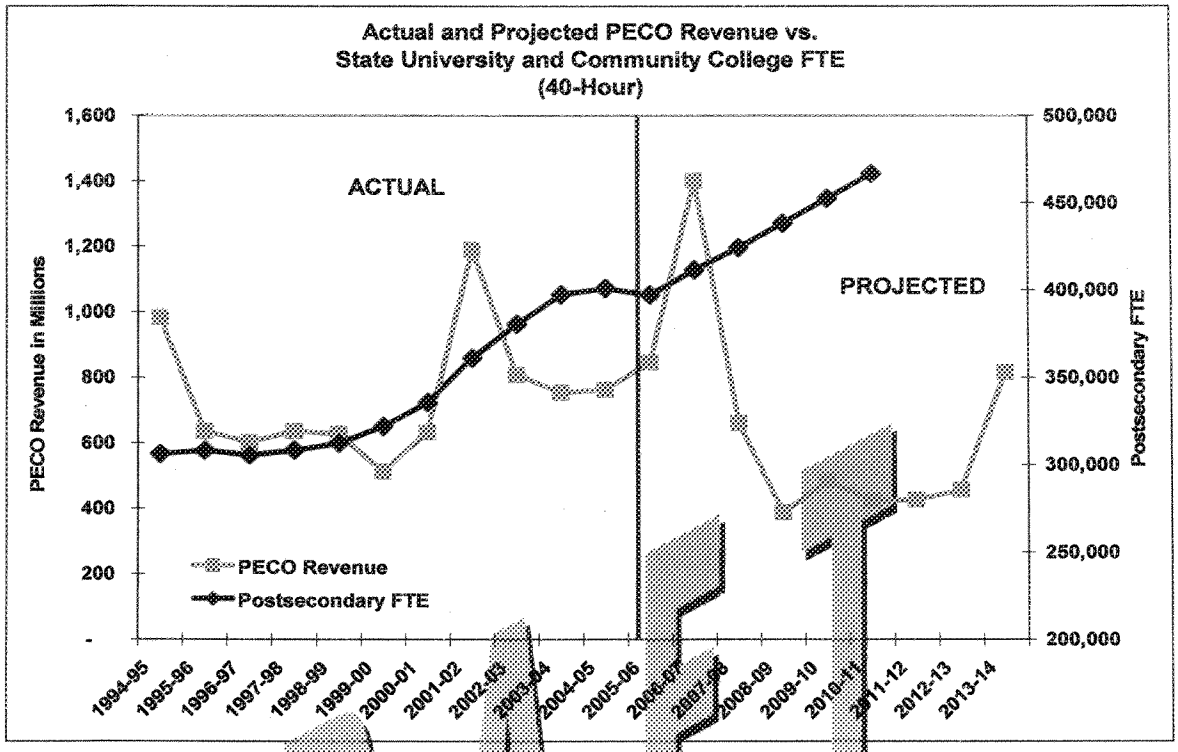
Sources of Fluctuation

According to the Office of Economic and Demographic Research (EDR), the amount of tax revenue available for appropriation and bonding is the product of several factors which combine to cause the significant fluctuation each year that is shown in Table B-2.

1. Bonding is primarily based on growth in the gross receipts tax on utilities and communications because existing revenues are committed to debt service on old bonds.
2. When revenues are underestimated, as occurred in 2005-06 due to the unexpected increase in fuel costs, subsequent appropriations can be larger for two reasons,
   a. non-recurring cash is available for cash expenditure from the initial year of underestimate, and
   b. the excess growth is added to the growth formerly anticipated for later years so that more than just one year's worth of growth in bonding capacity is available.
3. Bonds do not sell immediately and may not sell for several years after being authorized by the Legislature so that the interest paid on the bonds may be more or less than originally assumed in the Estimating Conference. The result is that more or less bonding capacity is available in later years than originally estimated.
4. Refinancing of old bonds at lower rates frees up additional bonding capacity for subsequent years. Table B-3 displays recent refinancing. Refinancing is not projected by estimating conferences and is only added to conference estimates after the refinancing has occurred. As a result, additional bonding capacity from refinancing will generally be available for a later year than is shown on Table B-3.
5. Finally, the gross receipts tax revenues are projected on a fiscal year basis (July to June) while bonding is calculated based on the 24-month period ending in September. As a result, annual estimates from the gross receipt tax and the PECO revenues from bonding are reported for different time periods.

As a result of the factors enumerated above, the fluctuations in tax revenue in Table B-1 cannot be directly compared to the fluctuation in PECO revenue in Table B-2. After 2006-07, the projected growth in tax revenues is expected to be much slower, partly due to anticipated declines in fuel prices. Therefore the amount of revenue not reserved for debt service and available for appropriation is much lower after 2006-07, as shown in Table B-2.

Table B-2



Note: The extreme points of fluctuation in Exhibit 2 represent years in which several of the sources of variation listed in the memo work in the same direction to produce a high or low level of PECO revenue.

Source: Office of Economic and Demographic Research.

Table B-3
Increase in PECO Bonding Capacity Due to Refinancing Activity (in Millions)

Fiscal Year	Amount of Bond Capacity Available for Appropriation	Amount of Bond Capacity Due to Refinancing Activity	Refinancing Activity as a Percentage of Total Bond Capacity
1999-00	$ 367.2	$ 76.9	21%
2000-01	428.3	36.0	8%
2001-02	887.6	30.1	3%
2002-03	613.4	37.1	6%
2003-04	516.3	57.9	11%
2004-05	473.4	36.6	8%
2005-06	616.3	86.7	14%
2006-07	1,097.3	55.0	5%

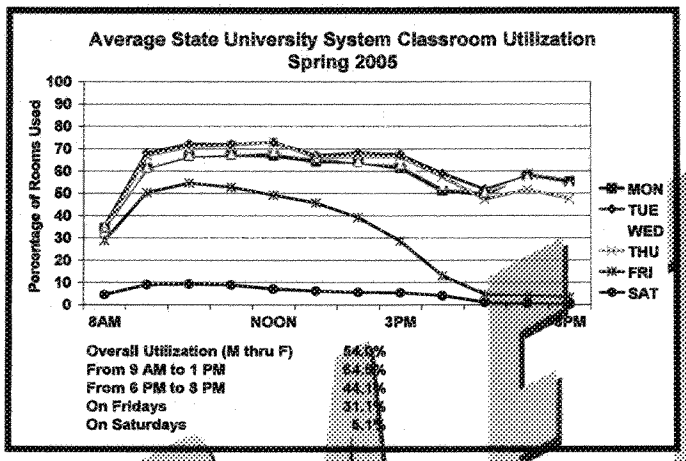
Source: Office of Economic and Demographic Research.

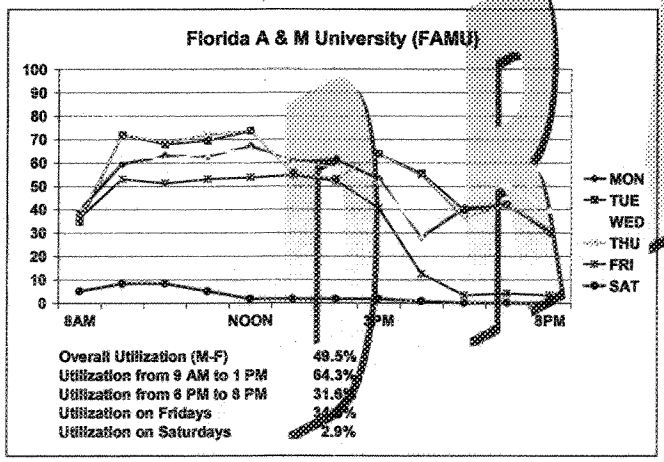
This appendix is based on information obtained from staff in the Office of Economic and Demographic Research as well as information on EDR's website at the following Internet address: http://edr.state.fl.us/conferences/peco/pecoflow.htm.

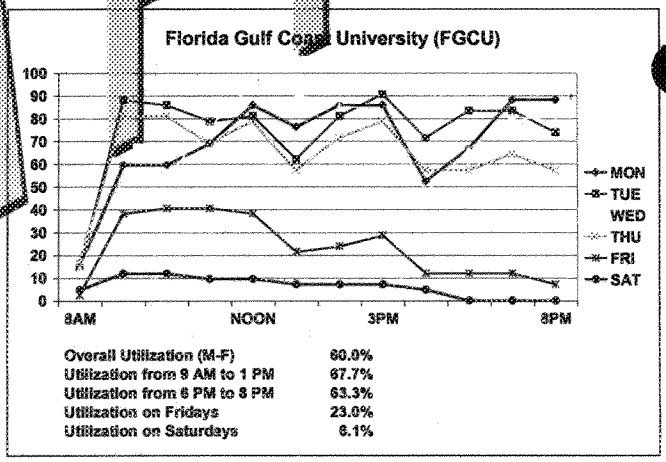
Appendix C

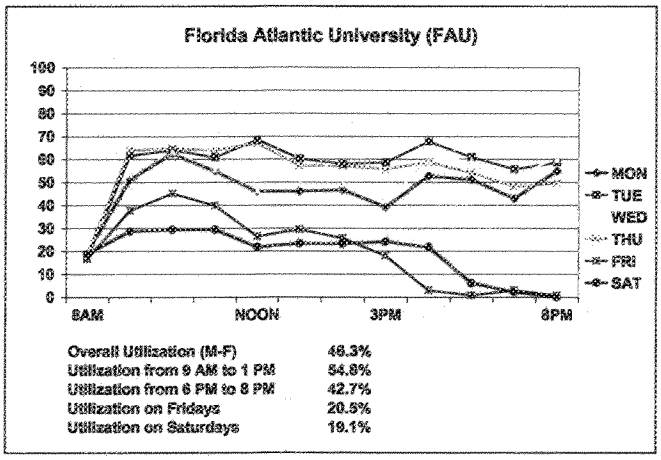
Disaggregated Classroom Utilization by Postsecondary Institution From 8AM to 8PM Monday Through Friday

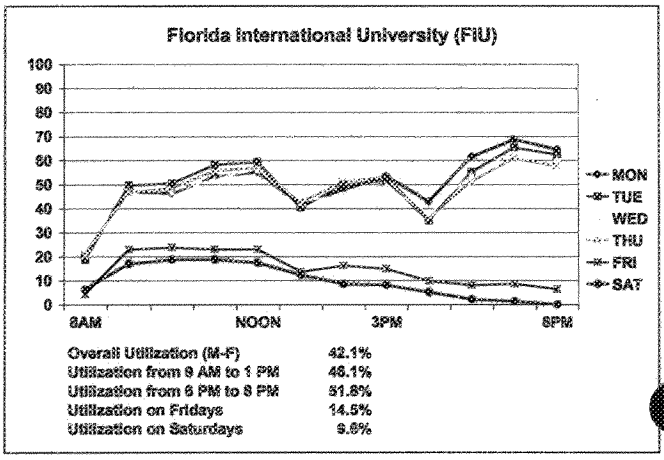
Universities

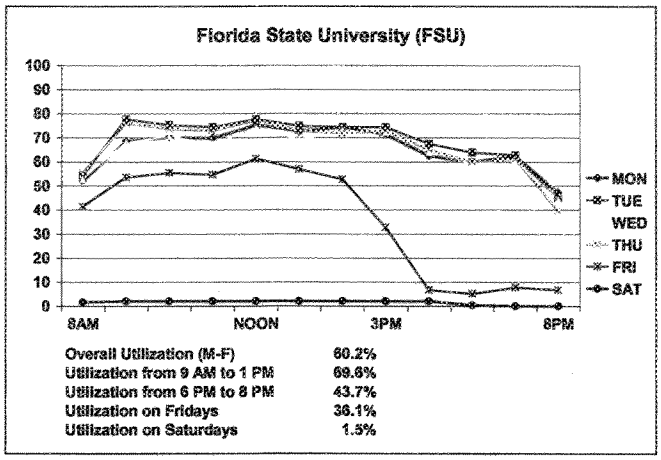




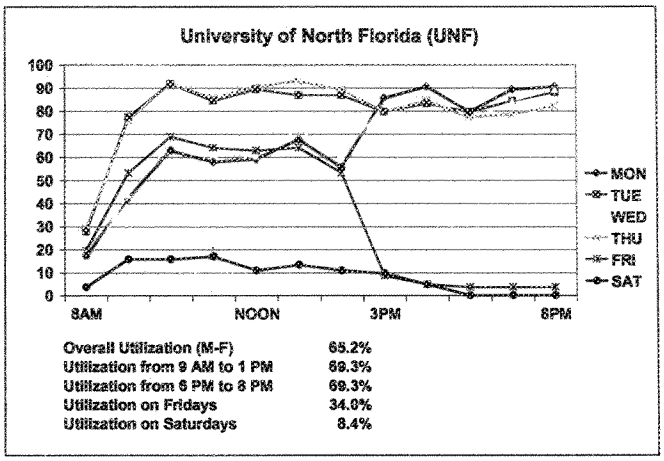




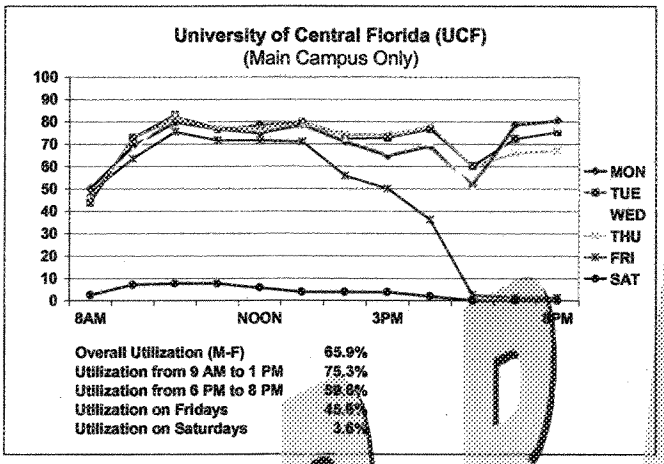




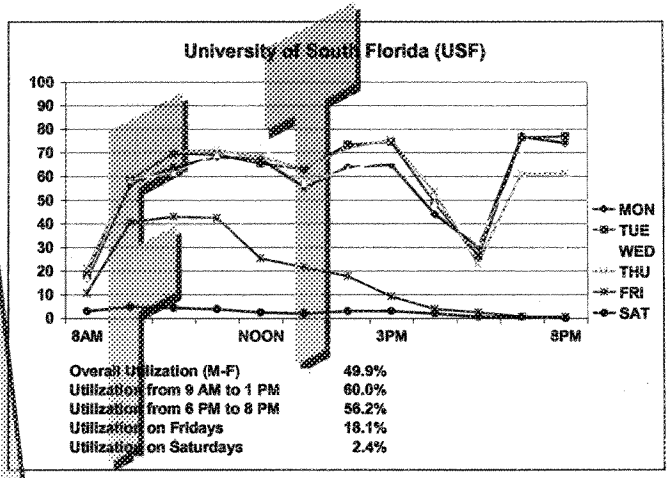
Overall Utilization (M-F)	60.2%
Utilization from 9 AM to 1 PM	69.6%
Utilization from 6 PM to 8 PM	43.7%
Utilization on Fridays	36.1%
Utilization on Saturdays	1.5%



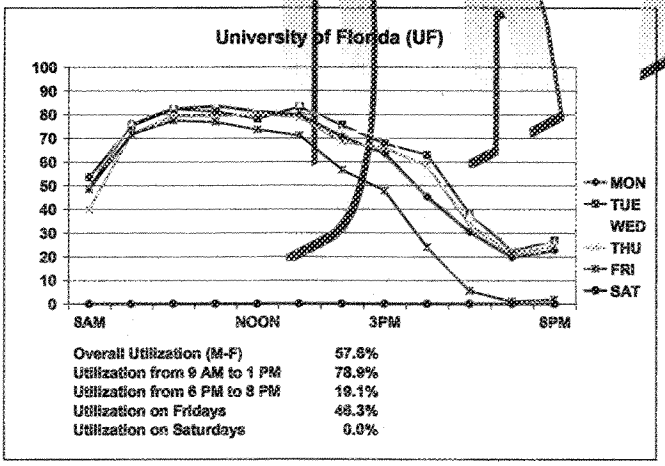
Overall Utilization (M-F)	65.2%
Utilization from 9 AM to 1 PM	69.3%
Utilization from 6 PM to 8 PM	69.3%
Utilization on Fridays	34.0%
Utilization on Saturdays	8.4%



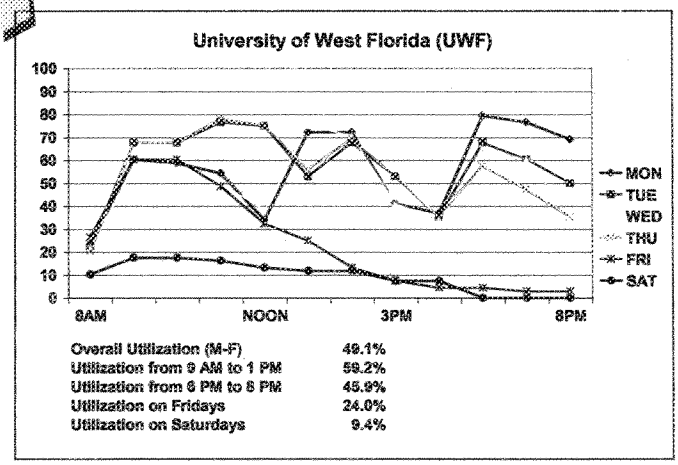
Overall Utilization (M-F)	65.9%
Utilization from 9 AM to 1 PM	75.3%
Utilization from 6 PM to 8 PM	59.8%
Utilization on Fridays	45.8%
Utilization on Saturdays	3.6%



Overall Utilization (M-F)	49.9%
Utilization from 9 AM to 1 PM	60.0%
Utilization from 6 PM to 8 PM	56.2%
Utilization on Fridays	18.1%
Utilization on Saturdays	2.4%

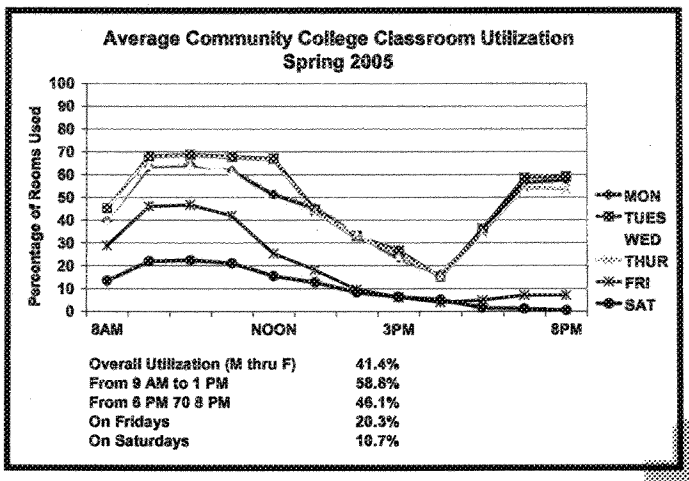


Overall Utilization (M-F)	57.6%
Utilization from 9 AM to 1 PM	78.9%
Utilization from 6 PM to 8 PM	18.1%
Utilization on Fridays	46.3%
Utilization on Saturdays	0.0%

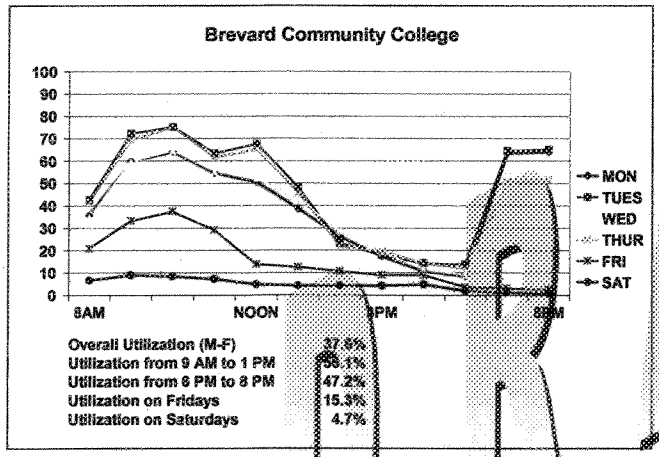


Overall Utilization (M-F)	49.1%
Utilization from 9 AM to 1 PM	59.2%
Utilization from 6 PM to 8 PM	45.9%
Utilization on Fridays	24.0%
Utilization on Saturdays	9.4%

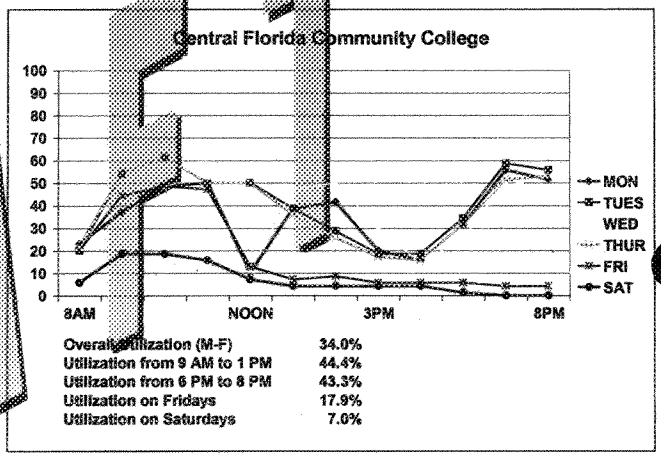
Community Colleges



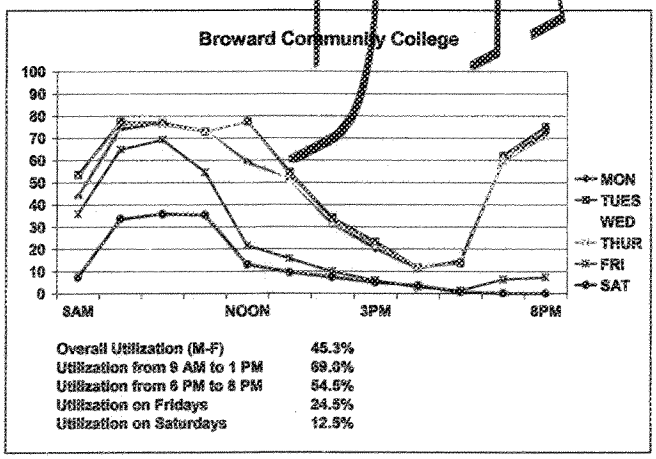
Overall Utilization (M thru F)	41.4%
From 9 AM to 1 PM	58.8%
From 6 PM 70 8 PM	46.1%
On Fridays	20.3%
On Saturdays	10.7%



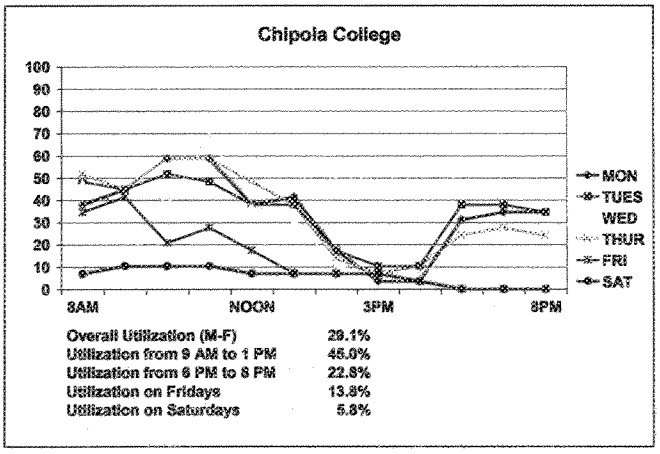
Overall Utilization (M-F)	37.6%
Utilization from 9 AM to 1 PM	58.1%
Utilization from 6 PM to 8 PM	47.2%
Utilization on Fridays	15.3%
Utilization on Saturdays	4.7%



Overall Utilization (M-F)	34.0%
Utilization from 9 AM to 1 PM	44.4%
Utilization from 6 PM to 8 PM	43.3%
Utilization on Fridays	17.9%
Utilization on Saturdays	7.0%

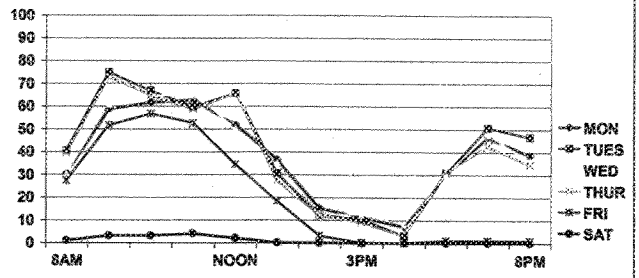


Overall Utilization (M-F)	45.3%
Utilization from 9 AM to 1 PM	69.0%
Utilization from 6 PM to 8 PM	54.5%
Utilization on Fridays	24.5%
Utilization on Saturdays	12.5%



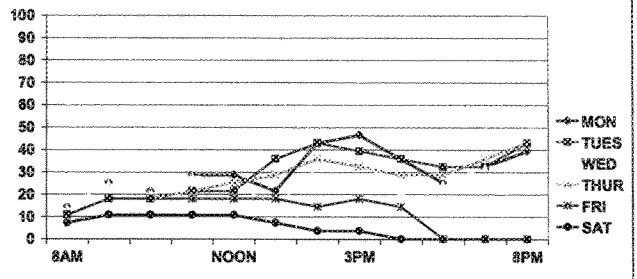
Overall Utilization (M-F)	29.1%
Utilization from 9 AM to 1 PM	45.0%
Utilization from 6 PM to 8 PM	22.8%
Utilization on Fridays	13.8%
Utilization on Saturdays	5.8%

Daytona Beach Community College



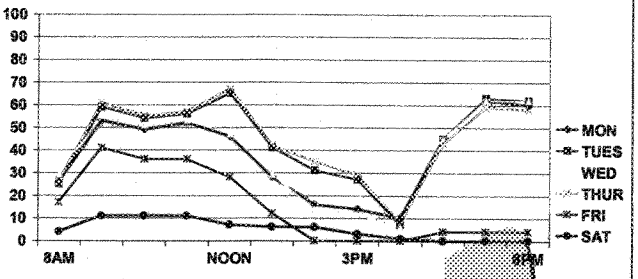
Overall Utilization (M-F)	35.0%
Utilization from 9 AM to 1 PM	59.9%
Utilization from 6 PM to 8 PM	34.4%
Utilization on Fridays	20.5%
Utilization on Saturdays	1.1%

Florida Keys Community College



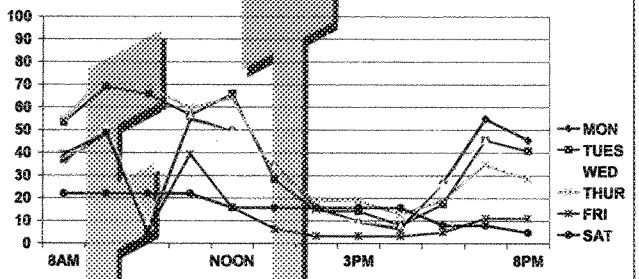
Overall Utilization (M-F)	24.9%
Utilization from 9 AM to 1 PM	21.8%
Utilization from 6 PM to 8 PM	29.3%
Utilization on Fridays	12.2%
Utilization on Saturdays	5.4%

Edison College



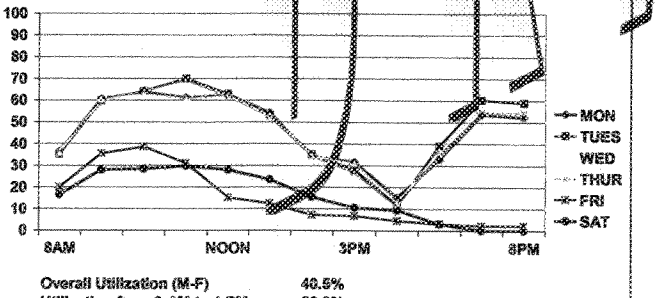
Overall Utilization (M-F)	36.4%
Utilization from 9 AM to 1 PM	51.1%
Utilization from 6 PM to 8 PM	49.6%
Utilization on Fridays	19.2%
Utilization on Saturdays	5.0%

Gulf Coast Community College



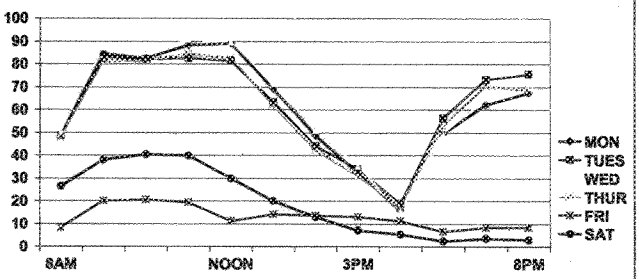
Overall Utilization (M-F)	31.7%
Utilization from 9 AM to 1 PM	47.7%
Utilization from 6 PM to 8 PM	34.5%
Utilization on Fridays	15.8%
Utilization on Saturdays	15.5%

Florida Community College at Jacksonville



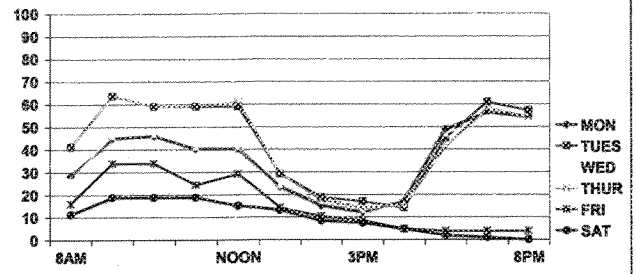
Overall Utilization (M-F)	40.5%
Utilization from 9 AM to 1 PM	58.2%
Utilization from 6 PM to 8 PM	45.8%
Utilization on Fridays	14.8%
Utilization on Saturdays	16.0%

Hillsborough Community College



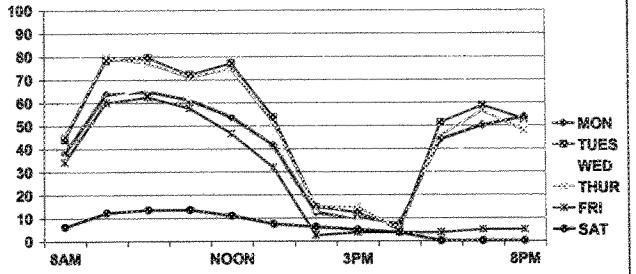
Overall Utilization (M-F)	51.9%
Utilization from 9 AM to 1 PM	71.3%
Utilization from 6 PM to 8 PM	56.7%
Utilization on Fridays	12.8%
Utilization on Saturdays	19.0%

Indian River Community College



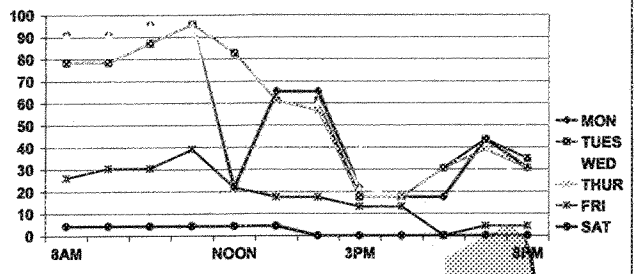
Overall Utilization (M-F)	34.5%
Utilization from 9 AM to 1 PM	47.4%
Utilization from 6 PM to 8 PM	45.5%
Utilization on Fridays	15.4%
Utilization on Saturdays	9.9%

Manatee Community College



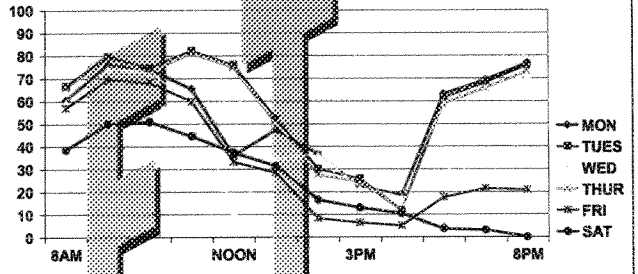
Overall Utilization (M-F)	41.4%
Utilization from 9 AM to 1 PM	66.1%
Utilization from 6 PM to 8 PM	42.4%
Utilization on Fridays	26.2%
Utilization on Saturdays	6.5%

Lake City Community College



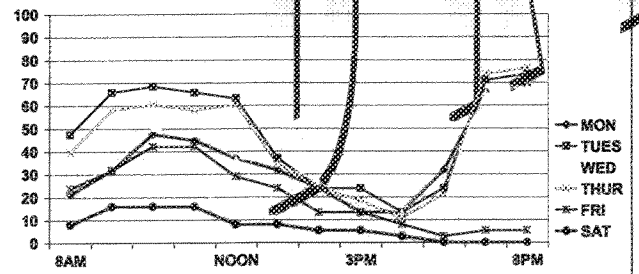
Overall Utilization (M-F)	47.7%
Utilization from 9 AM to 1 PM	70.7%
Utilization from 6 PM to 8 PM	29.1%
Utilization on Fridays	18.1%
Utilization on Saturdays	2.2%

Miami Dade College



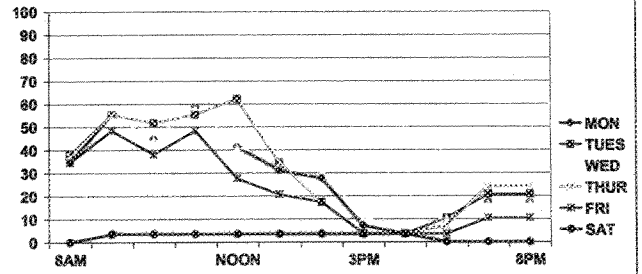
Overall Utilization (M-F)	50.1%
Utilization from 9 AM to 1 PM	65.9%
Utilization from 6 PM to 8 PM	60.6%
Utilization on Fridays	32.8%
Utilization on Saturdays	24.9%

Lake Sumter Community College



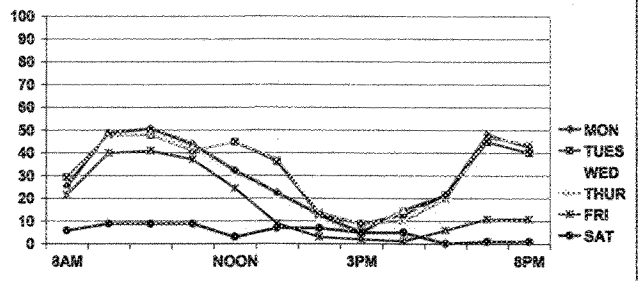
Overall Utilization (M-F)	37.1%
Utilization from 9 AM to 1 PM	48.7%
Utilization from 6 PM to 8 PM	57.4%
Utilization on Fridays	20.0%
Utilization on Saturdays	7.0%

North Florida Community College



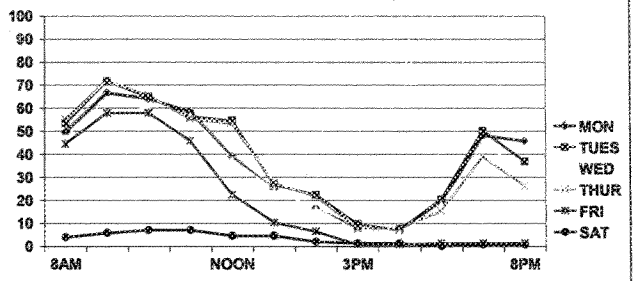
Overall Utilization (M-F)	28.8%
Utilization from 9 AM to 1 PM	50.5%
Utilization from 6 PM to 8 PM	17.9%
Utilization on Fridays	22.1%
Utilization on Saturdays	2.3%

Okaloosa-Walton College



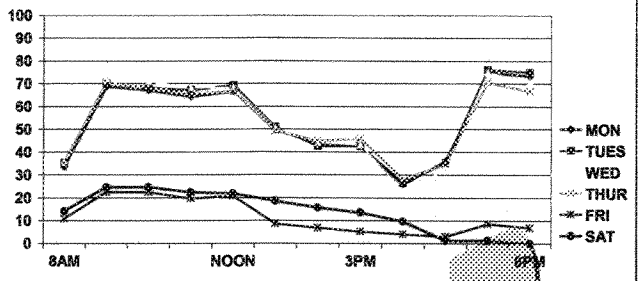
Overall Utilization (M-F)	27.9%
Utilization from 9 AM to 1 PM	42.2%
Utilization from 6 PM to 8 PM	36.0%
Utilization on Fridays	17.1%
Utilization on Saturdays	5.4%

Pensacola Junior College



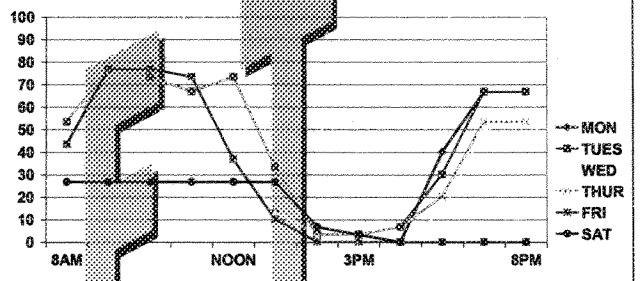
Overall Utilization (M-F)	33.8%
Utilization from 9 AM to 1 PM	56.0%
Utilization from 6 PM to 8 PM	32.5%
Utilization on Fridays	20.7%
Utilization on Saturdays	3.2%

Palm Beach Community College



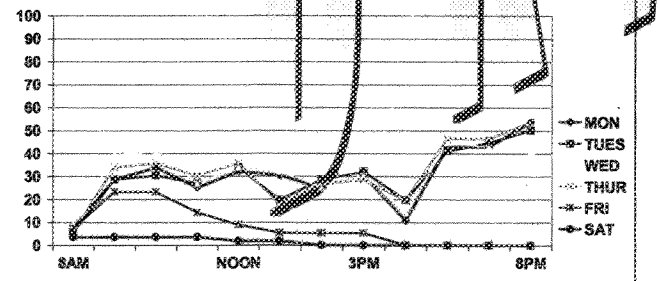
Overall Utilization (M-F)	45.6%
Utilization from 9 AM to 1 PM	58.8%
Utilization from 6 PM to 8 PM	59.7%
Utilization on Fridays	11.5%
Utilization on Saturdays	15.1%

Polk Community College



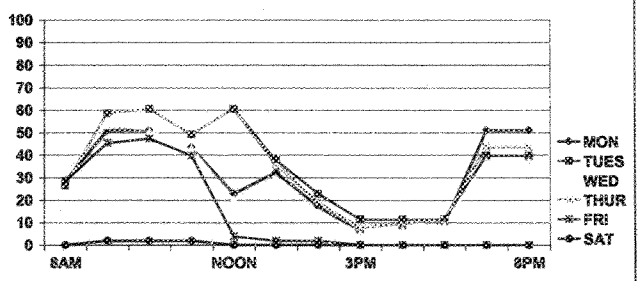
Overall Utilization (M-F)	38.6%
Utilization from 9 AM to 1 PM	68.5%
Utilization from 6 PM to 8 PM	47.0%
Utilization on Fridays	26.4%
Utilization on Saturdays	14.2%

Pasco-Hernando Community College

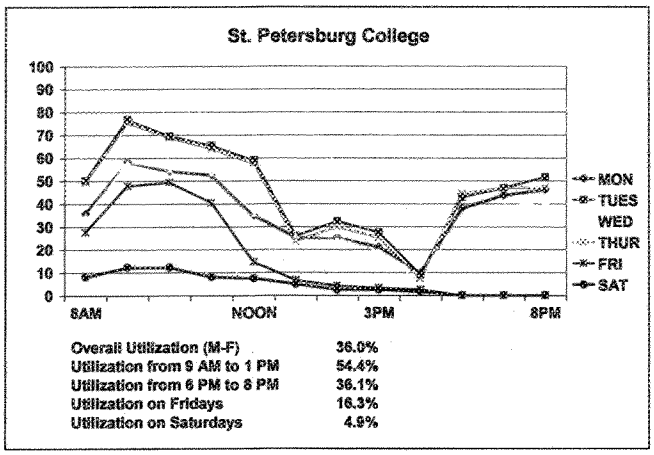


Overall Utilization (M-F)	26.3%
Utilization from 9 AM to 1 PM	28.3%
Utilization from 6 PM to 8 PM	37.5%
Utilization on Fridays	7.7%
Utilization on Saturdays	1.5%

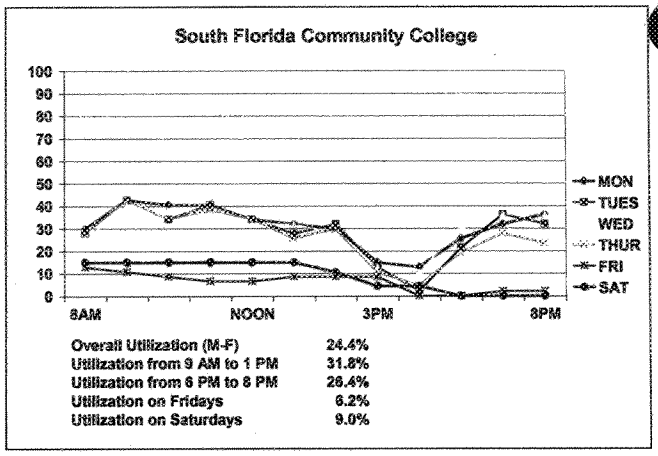
St. Johns River Community College



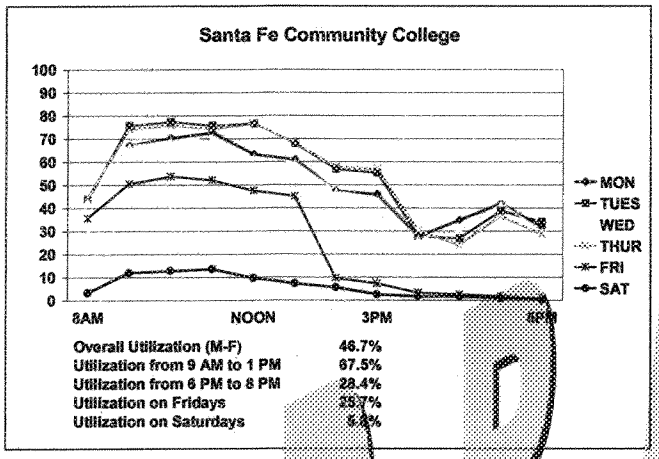
Overall Utilization (M-F)	28.9%
Utilization from 9 AM to 1 PM	46.4%
Utilization from 6 PM to 8 PM	34.3%
Utilization on Fridays	14.0%
Utilization on Saturdays	0.5%



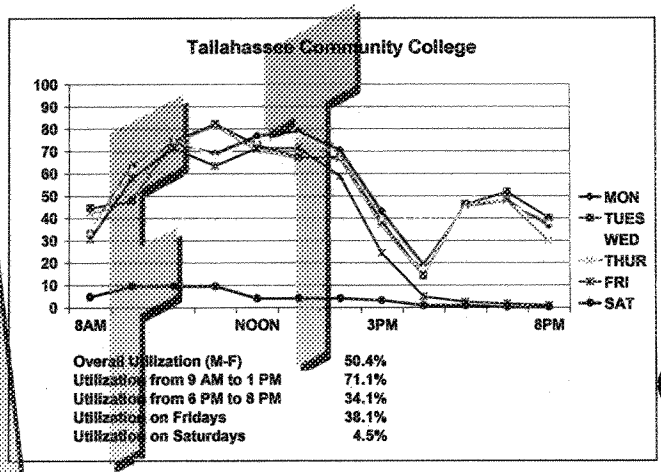
Overall Utilization (M-F)	36.0%
Utilization from 9 AM to 1 PM	54.4%
Utilization from 6 PM to 8 PM	36.1%
Utilization on Fridays	16.3%
Utilization on Saturdays	4.9%



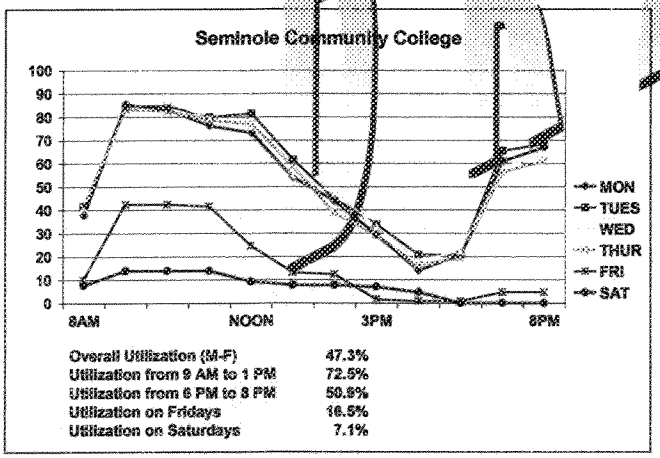
Overall Utilization (M-F)	24.4%
Utilization from 9 AM to 1 PM	31.8%
Utilization from 6 PM to 8 PM	26.4%
Utilization on Fridays	6.2%
Utilization on Saturdays	9.0%



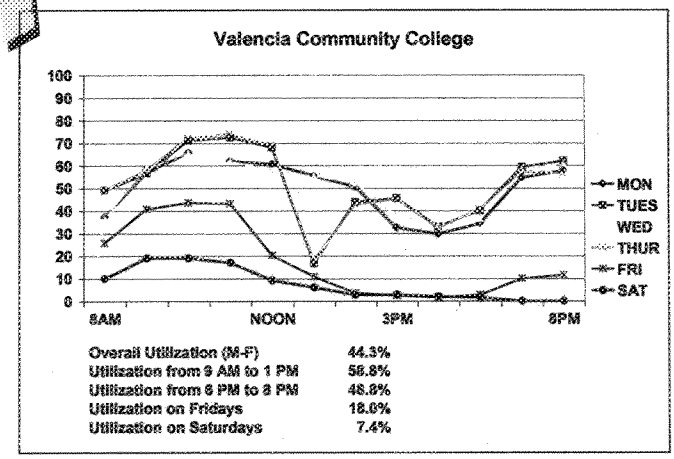
Overall Utilization (M-F)	46.7%
Utilization from 9 AM to 1 PM	67.5%
Utilization from 6 PM to 8 PM	28.4%
Utilization on Fridays	25.7%
Utilization on Saturdays	5.4%



Overall Utilization (M-F)	50.4%
Utilization from 9 AM to 1 PM	71.1%
Utilization from 6 PM to 8 PM	34.1%
Utilization on Fridays	38.1%
Utilization on Saturdays	4.5%



Overall Utilization (M-F)	47.3%
Utilization from 9 AM to 1 PM	72.5%
Utilization from 6 PM to 8 PM	50.8%
Utilization on Fridays	16.5%
Utilization on Saturdays	7.1%



Overall Utilization (M-F)	44.3%
Utilization from 9 AM to 1 PM	58.8%
Utilization from 6 PM to 8 PM	48.8%
Utilization on Fridays	18.6%
Utilization on Saturdays	7.4%

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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Jane Fletcher, Staff Director, Education Policy Area (850/487-9255)
Gary R. VanLandingham, OPPAGA Director

Tab C

The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

Gary R. VanLandingham, Director

DATE: March 8, 2006

TO: Ms. Debbie Gilreath, Deputy Staff Director, Senate Committee on Government Efficiency Appropriations

FROM: Jane Fletcher, Staff Director, Education
David Summers, Chief Legislative Analyst

RE: Increase in Higher Education Standard to Measure Classroom Utilization

The information in this memo is provided to answer Senator Geller's question on why OPPAGA recommended raising the classroom utilization standard to 50/70 to evaluate higher education classroom utilization in our draft reports entitled *Higher Education Facility Planning Process Is Designed Reasonably Well; Improvements Could Maximize State Resources* and *Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space.*

OPPAGA made this recommendation because the current 60/40 standard may overstate universities' and community colleges' need for additional classrooms. Section 1013.03(2), *Florida Statutes,* provides that classrooms are to be used a minimum of 40 hours per week and that 60% of student stations (seats) are filled. In the simplest terms, a classroom with 100 seats (student stations) is considered to be 100% utilized if the classroom is in use 40 hours per week with 60 of 100 seats filled (60% occupancy). If a classroom is used 40 hours per week with 60 seats filled, the applied standard will reflect 100% utilization even though 40 seats are empty and the classroom could be used for 20 additional hours. Therefore, even at 100% utilization the institution has the potential to fill an additional 40 seats per hour. In addition, given that the typical classroom is available for use from 8 a.m. to 8 p.m., Monday through Friday (60 hours per week), even at 100% utilization the above classroom has the potential to be in use an

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additional 20 hours because the current standard only accounts for its use for 40 hours a week.

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In light of how universities and community colleges use space today, several university administrators indicated that the 40/60 standard appears outdated. OPPAGA's recommendation to adopt a 50/70 standard is raising the bar or threshold on when universities and community colleges justify additional classroom space and generally reflects when classrooms are available for use today. The reports recognize that the 50/70 standard is a goal for institutions, and that there are legitimate reasons for not reaching 100% classroom utilization. However, the institutions should adopt better classroom management strategies, as suggested in our report, to even out utilization because they tend to build to accommodate their peak usage periods. Their efforts to use their space efficiently as well as their utilization profile should be reported to both the BOG and DOE, and considered in the decision to fund additional new construction. Our utilization graphs for the individual institutions show that many community colleges experience very low afternoon utilization and both systems experience very low Friday utilization. With the increase in construction costs and predicted decrease in future PECO funds, fewer new classrooms will be justified by raising the threshold to 50/70. In addition, better classroom management practices will make better use of the existing inventory of classrooms and delay the need for building new classrooms.

The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

Gary R. VanLandingham, Director

MEMORANDUM

DATE: March 16, 2006

TO: Betty Tilton, Staff Director, House Committee on Colleges and Universities

FROM: Jane Fletcher, Staff Director
David Summers, Chief Legislative Analyst

RE: Additional information regarding OPPAGA recommendation to increase the classroom utilization standard from 40/60 to 50/70

This memo provides additional information regarding how OPPAGA arrived at its recommendation that the Legislature increase the classroom utilization standard from the 40/60 currently in statute to 50/70.

The current standard may overstate the need for classroom space. We arrived at the conclusion that the current 40/60 standard may overstate the need for classroom space after examining the actual percentage of state community college and public university classrooms that were scheduled for use during times at which they are typically available for use. We found that overall classroom utilization rates between 8:00 AM and 8:00 PM Monday through Friday were approximately 54% for universities and 41% for community colleges. These rates are significantly lower than the rates reported by the institutions using the current 40/60 standard. For instance, Florida State University, which our analysis showed had 60% classroom utilization rate (relatively high among the state's universities), had an overall average classroom utilization rate of approximately 111% using the current 40/60 standard. Thus, the 40/60 standard would suggest that FSU has a critical need for additional classroom space while our analysis would suggest that this need may be considerably less critical. We saw similar potential overstatements of need for other universities and for community colleges when we compared the results of our analysis to utilization rates using the current 40/60 standard.

The current standard is used to assess the need for additional classrooms and to allocate funds to the highest priority construction and renovation needs. Thus, we concluded that this potential overstatement of classroom need using the current 40/60 standard may result in other projects that may be more critically needed not being able to be funded because additional classrooms were being built. Thus, we recommended that the Legislature consider increasing the current 40/60 standard to 50/70 to more accurately portray the need for classroom space. We arrived at this new standard for the reasons stated below.

- **Increasing the standard from 40 to 50 hours per week.** The current standard does not take into consideration that classrooms are available for use from 8 a.m. to 8 p.m., Monday through Friday (60 hours per week). Thus, the current standard does not account for 30% of the time that classrooms could be used. We concluded that while increasing the standard to capture use for every period they are available may not be reasonable, increasing it 50 hours during the week would more accurately capture the availability to use existing classroom space. The recommended increase to 50 hours seems reasonable given that institutions such as Florida State University and the University of Central, both of which have relatively high utilization rates, use internal measures that exceed the weekly hours of the current statutory standard (FSU uses 56 hours per week and UCF uses 69 hours per week).

- **Increasing the standard from 60% to 70% station occupancy.** Florida's occupancy standard was based on a comparison of similar standards in other states. Based on the most recent data we were able to obtain from a study conducted by the California Postsecondary Education Commission in September 2004, several states have classroom occupancy standards that now exceed that of Florida. These states include Arizona (65%), California (71.4%), Kentucky (67%), Nebraska (65%), New York (80% for the CUNY system), and Ohio (67%). Thus, it would appear that Florida is out of step with several other states in this regard. In addition, Florida State University and the University of Central currently evaluate their utilization using internal station occupancy standards of 75% and 70%, respectively. Therefore, we concluded that that raising Florida's classroom occupancy rate to 70% would be reasonable.

Effect of this change. We believe that increasing the utilization standard will more accurately portray the need for additional classroom space at Florida's community colleges and public universities and will ensure that policymakers have more complete information on which to base funding decisions. The net effect will likely delay the need to build additional classrooms at some institutions and allow for other, more pressing needs to be funded. In addition, raising the standard does not preclude an institution with legitimate reasons to request additional classrooms despite having a utilization rate that does not approach 100%. To address this issue, our draft report recommends that each institution provide additional information to state agencies including the success of strategies implemented to increase classroom utilization. We believe that more complete information will enable the Department of Education and the Board of Governors to have access to the information necessary to prioritize fixed capital outlay requests and to make funding recommendations to the Legislature.